Weekend FT

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Greening the globe: three pages on golf holidays

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Orson Welles: the playboy of the western cinema

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Science critic Joseph Schwartz challenges the new gods

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Round one: France goes to the polls

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FINANCIAL TIMES

Europe's Business Newspaper — WEEKEND MARCH 20/MARCH 21 1993 — D8523A

Thousands greet UN aid convoy in eastern Bosnia

Thousands of cheering and weeping people in the besieged town of Srebrenica in eastern Bosnia yesterday greeted a United Nations aid convoy, led by Gen Philippe Morillon, the French commander of UN forces in the region.

The convoy of 16 trucks, carrying 175 tonnes of food and medical supplies, had been repeatedly blocked by the Bosnian Serbs over the past nine days, and was only the third to reach Srebrenica since the civil war began last April. Page 2

Japanese semiconductor market: Foreign manufacturers' share of the Japanese semiconductor market jumped to 20.2 per cent in the fourth quarter last year. This matches Japan's commitment to the US to open up its electronics market and deflects the risk of a potentially acrimonious row during bilateral talks in Hawaii this weekend. Page 22

London share prices rebound

FT-SE 100 Index. Hourly movements

London share prices rebounded strongly as investors put their faith in prospects for economic recovery and set aside hopes of further UK interest rate cuts. The FT-SE Index rose 20.4 to close at 2,900.1. Page 13

Black's Telegraph plan delayed: Conrad Black's plan to sell half of his private company's stake in the Canadian Southam newspaper group to The Telegraph, the UK-listed company he controls, was delayed after The Telegraph's independent directors learned that another investor is buying Southam shares much more cheaply. Page 22

RPI edges higher: British retail price inflation edged higher last month, boosted by more expensive food and petrol and a bounce back in prices after the January sales. Prices rose in February by 0.7 per cent from the previous month. Page 22; Further details, Page 4

Japan's money supply growing again: The Bank of Japan said the money supply in February grew by 0.2 per cent compared with the year before. Page 22; Japan's steel makers see sharp falls, Page 10

France honours Samuel Brittan

Samuel Brittan (left), principal economic commentator of the Financial Times since 1966, has been named a chevalier in the French Legion of Honour by President François Mitterrand.

Singer to take control of German rival: Singer, one of the world's leading sewing-machine makers, is to take control of Pfaff, its German rival. Page 10

Moi says Kenya faces collapse: Kenya's President Daniel arap Moi threatened to suspend relations with western donors – who have refused to resume $40m a month aid payments – and said Kenya was near collapse. Page 3

Drug king's military chief shot dead: Colombian police said they shot dead cocaine king Pablo Escobar's military chief, Mario Castano, alias El Chopo, in Medellin.

Children may be allowed into pubs: Children will be able to accompany their parents in pubs, and continental-style cafés will be allowed to sell alcohol under a relaxation of the licensing laws in England and Wales being considered by the government. Page 4

Second smallest union to close: Britain's second smallest union, the 102-year-old Society of Shuttlemakers, is to close because eight of its 17 members have been made redundant.

Hostages envoy to receive award Giandomenico Picco, the UN envoy who played a pivotal role in securing the release of the British hostages in Beirut, has been made an honorary companion of the Most Distinguished Order of Saint Michael and Saint George by the Queen.

Dig shows Anglo-Saxon skills: Archaeological excavations at Canterbury cathedral show that there was a huge cathedral on the site in Anglo-Saxon times – confirming that the Anglo-Saxons were builders of great churches.

■ STOCK MARKET INDICES		
FT-SE 100:	2,900.1	(+20.4)
Yield	4.18	
FT-SE Eurotrack 100	1,145.37	(-3.18)
FT-A All-Share	1,421.34	(+0.7%)
Nikkei	18,537.17	(-190.73)
New York: lunchtime		
Dow Jones Ind Ave	3,467.80	(+2.16)
S&P Composite	451.38	(-0.56)
■ US LUNCHTIME RATES		
Federal Funds:	2 1/2%	
3-mo Treas Bills: Yld	3.003%	
Long Bond	104	
Yield	6.867%	
■ LONDON MONEY		
3-mo Interbank	6 1/4%	(6%)
Life long gilt future:	Jun 106 1/2	(Jun 105 1/2)
■ NORTH SEA OIL (Argus)		
Brent 15-day (May)	$18.8	(18.82)
■ Gold		
New York Comex (Apr)	$332.4	(331.2)
London	$331.45	(330.25)

■ STERLING		
New York lunchtime:		
$	1.482	
London:		
$	1.4895	(1.475)
DM	2.4325	(2.44)
FFr	8.2825	(8.32)
SFr	2.25	(2.2425)
Y	172.75	(172.5)
£ Index	79.3	(79.2)
■ DOLLAR		
New York lunchtime:		
DM	1.6325	
FFr	5.580	
SFr	1.512	
Y	116.0	
London:		
DM	1.633	(1.654)
FFr	5.5675	(5.64)
SFr	1.51	(1.5205)
Y	115.9	(115.9)
$ Index	65.5	(66.3)
Tokyo close Y 116.1		

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Branson threatens to produce fresh courtroom evidence of 'dirty tricks'

Virgin calls off talks with BA

By Daniel Green

VIRGIN ATLANTIC abandoned talks aimed at settling the "dirty tricks" dispute with its larger rival British Airways yesterday, and threatened to produce new evidence against it in UK or US courts.

Mr Richard Branson, Virgin's chairman, also called for an independent investigation into the dispute by the Department of Trade and Industry. He said an official request would be made next week. The DTI can investigate companies and take civil action against them.

Weeks of tense and often sour negotiations almost led to a settlement at one stage. The draft agreement would have seen BA pay £9m compensation to Virgin. The talks foundered on a clause limiting discussion of the case.

Virgin said the clause would "gag" it, "restricting [its] ability to refer to the case in any further actions or to provide information to anyone else in a similar dispute". Mr Branson said: "We should have the right to refer to matters of historical record."

BA denied it "sought to 'gag' Virgin". Mr Robert Ayling, BA's group managing director, said: "We have simply asked them to agree not to rake over the events of the past. The fundamental point on which we cannot agree with Virgin is their requirement to be able to reopen past events."

The talks were set up after BA publicly apologised to Virgin in January and paid it £610,000 in libel damages following revelations that BA had been engaged in covert operations to undermine Virgin's business.

Last week, Virgin said it was ready to settle if BA dropped the clause forbidding it from referring to the matter in future.

But yesterday's Virgin statement said: "British Airways have sought from Virgin onerous and impractical undertakings including silence over matters of historical record." It accused BA of "consistently refusing to acknowledge the full nature of the extent of the activities which have taken place over the past three years".

The company yesterday instructed its UK lawyers to consider "all the remedies available" including civil cases in the UK under misuse of computers legislation, in the US courts under anti-trust rules, and in Brussels under the Treaty of Rome.

"There's a great deal of material in our possession [that has not yet been made public]," warned Mr Branson. He said court orders could force BA to release yet further evidence of "dirty tricks".

Virgin said it had been advised that it could recover tens of millions of pounds of compensation in an anti-trust action in the US. Such laws in the US are complicated and action could take years with no guarantee of success.

The UK government is likely to be unhappy if the case goes to the US courts. It has put pressure on the two companies not to go to court because adverse publicity might hurt its position in sensitive talks with the US government over aviation deregulation.

Mr John Prescott, opposition transport spokesman, called on Mr John MacGregor, transport secretary, to intervene. "There could be considerable implications for British aviation policy if this matter is now pursued in the American courts as Richard Branson intends," Mr Prescott said in a letter to Mr MacGregor.

Trevor Humphries

Making up is hard to do: Richard Branson prepares for a television interview at CNN's London studios after the breakdown of talks with BA

Virgin weighs up options, Page 5
Lex, Page 22

US to delay trade sanctions against EC

By Jurek Martin and Nancy Dunne in Washington and David Dodwell in London

THE US yesterday agreed to postpone sanctions against the European Community, due to be implemented on Monday in a public contracts dispute, until after another round of negotiations in Brussels starting on March 29.

Mr Jacques Delors, president of the EC Commission, also said in Washington he had been assured that the Clinton administration would seek an extension of its "fast track" authorisation in trade negotiations "until the end of this year". Mr Delors said he appreciated the US "gesture" of postponing the procurement sanctions.

Mr Hugo Paeman, the EC's chief trade negotiator, said in Brussels yesterday that the US decision had greatly improved the atmosphere in which the forthcoming Brussels meeting between the two trade representatives would take place. It would also aid him in the preparatory discussions he would have in Washington early next week, he said.

The sanctions, over US access to the EC government procurement market, would deny European firms the right to bid on US government contracts for electric power equipment, telecommunications and other services. This could cost EC companies an estimated $40m-$50m (£28m-£35m) a year in lost business. The US is demanding a waiver of article 29 of the new Utilities Directive, which gives EC firms a 3 per cent preference on contract bids.

The row is the first public face-off between the US and the EC, and may set the tone for a number of nascent disputes over issues such as Airbus subsidies and steel trade.

A joint US-EC statement yesterday said Mr Delors had indicated "the EC's desire to find a mutually satisfactory solution" when Mr Mickey Kantor, the US trade representative, visits Brussels later this month.

The statement also said the US and the EC agreed to negotiate "a significantly larger market access package in both goods and services as the first order of business in the renewed Uruguay Round negotiations".

The US administration has previously said it would seek from Congress a fast-track extension but has not said for how long. An extension to the end of the year should allow the US and its largest trading partners to launch a final drive to reach completion of the Uruguay Round of the General Agreement on Tariffs and Trade.

Mr Delors apparently emphasised that he sought closer transatlantic co-operation in his discussions with President Bill Clinton on Thursday.

NatWest to charge daily for overdrawn accounts

By John Gapper, Banking Correspondent

NATIONAL Westminster Bank is to impose a charge of £3.50 a day on current account holders who overdraw substantially without authority. The bank's new charging structure will penalise up to 1m customers who overdraw regularly.

The bank, which has 6.5m personal customers, said yesterday the new charges would benefit about 1m customers who only overdraw occasionally. It is to abolish its £20 fee for warning letters telling customers they are overdrawn.

There has been considerable speculation that NatWest would become the first bank to introduce charges for customers who stay in credit. The new charges indicate that it has instead chosen to penalise its most unprofitable customers.

NatWest is the first of England's big four banks to introduce a daily overdraft fee. Most banks already charge on a monthly rather than quarterly basis and impose fees for sending warning letters and returning cheques.

Under NatWest's new structure, to be introduced from June 1, the most persistent overdrawn customers will suffer substantially. They face charges of up to £355 a quarter if they stay constantly more than £50 over their agreed overdraft limit.

The fall in base rates since sterling left the exchange rate mechanism in October has made more current accounts unprofitable for banks because they can no longer earn as much from interest on re-lending their deposits.

Mr David Powell, NatWest's director of personal financial services, said the new structure would remove some of the existing "cross-subsidies" under which customers who regularly enter overdraft are charged less than they cost the bank.

Mr Powell said that 60 per cent of customers would not be affected by the change because they remain in credit. He said customers who regularly overdraw typically cost the bank up

Continued on Page 22

French franc comes under strong eve-of-poll pressure

By James Blitz in London and Alice Rawsthorn in Paris

THE French franc continued to come under strong selling pressure inside the European exchange rate mechanism yesterday, as investors speculated that a new political administration in France might be forced to sever the link with the D-Mark.

In the run-up to tomorrow's first round of parliamentary elections, the franc remained close to its ERM floor against the D-Mark. French franc money market interest rates rose, amid signs that some international investment houses were borrowing francs and selling them in the hope of profiting from a possible devaluation.

Mr Edouard Balladur, a finance minister in the last conservative government who is tipped as the next French prime minister, yesterday sought to alleviate the pressure on the French currency.

Dampening speculation that a conservative government might abandon the socialist policy of protecting the franc inside the ERM, he said on radio that the French right had no intention of following the UK's example of leaving the mechanism. "It's not a model for me," he said, describing the consequences for the UK economy as "almost tragic".

Some foreign exchange dealers, however, believe that a new French administration might abandon the socialist *franc fort* policy because it has meant keeping interest rates at about 12 per cent at a time when the French economy is slowing down.

Tomorrow's poll marks the first round of voting in the parliamentary elections, with the final round scheduled for next Sunday.

The conservative coalition of the RPR and UDF has such a strong lead – with 42 per cent of the vote against the ruling socialists' 20.5 per cent, according to the final opinion polls – that a change of government appears inevitable.

The critical question is how the conservative vote will split between the RPR and UDF. The polls suggest the two centre-right parties are neck and neck. However, the final outcome could influence the allocation of cabinet seats and President François Mitterrand's choice of premier.

Even in its final days the French electoral campaign has been notable only for the absence of excitement. The inevitability of the conservative victory has contributed to the subdued mood, as has the familiarity of the main party leaders, such as the RPR's Mr Jacques Chirac and the UDF's Mr Valéry Giscard d'Estaing, and the similarity between the main parties on critical areas of policy.

The franc fell as low as FFr3.416 against the D-Mark at lunchtime in London, with some London-based dealers reporting that the currency was being sold in large amounts. There was no sign of foreign exchange intervention by either the Bank of France or the Bundesbank to support the currency.

The franc later closed unchanged on the day at FFr3.41 to the D-Mark, around 2 centimes above its ERM floor.

Socialists face knock-out, Page 2
Currencies, Page 11
Paris gathers pace, Page 19
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Austria Sch30; Bahrain Din1.250; Bermuda $1.65; Belgium BFr60; China Fac 13; Canada C$1.40; Cyprus C£1.00; Czech Rep Kcs45; Denmark DKr15.00; Egypt E£4.50; Finland Fmk12; France FFr8.50; Germany DM3.30; Greece Dr300; Hong Kong HK$16; Hungary Ft172; Iceland IKR180; India Rup40; Indonesia Rp5,000; Israel NIS5.50; Italy L2700; Japan Y500; Jordan JD1.50; Korea Won 2500; Kuwait Fils 600; Lebanon $US1.25; Luxembourg LFr60; Malaysia Rin4.50; Malta Lm0.60; Morocco Dh13.00; Nigeria Naira26.00; Netherlands Fl3.75; Norway NKr16.00; Oman OR1.50; Pakistan Rs35; Philippines Peso 45; Poland Zl 22,000; Portugal Esc215; Qatar QR12.00; S.Arabia SR11.00; Singapore S$4.10; Slovak Rep Kcs45; Spain Pta200; Sri Lanka Rup50; Sweden SKr15.00; Switzerland SFr3.20; Taiwan NT$65; Thailand Bht50; Tunisia Din1.250; Turkey L7000; UAE Dh11.00; USA $1.25 (Alaska & Hawaii $1.75)

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PERSONAL TRIUMPH FOR FRENCH COMMANDER

UN aid convoy finally reaches besieged Srebrenica

By Robert Mauthner, Diplomatic Editor

A UNITED NATIONS aid convoy, led by the charismatic French commander of UN forces in Bosnia, was yesterday greeted by thousands of cheering and weeping people as it finally reached the besieged town of Srebrenica in eastern Bosnia.

The convoy of sixteen trucks, carrying 175 tonnes of food and medical supplies, had been repeatedly blocked by the Bosnian Serbs over the past nine days, and was only the third to reach Srebrenica since Bosnia's civil war began last April.

Its arrival in a town whose population had swollen to 60,000 people by the inflow of refugees from the surrounding region and where 40 people were reported to be dying every day, was a personal triumph for General Philippe Morillon, the UN commander.

General Morillon, in the teeth of disapproval of his superiors in the UN, had gone to Srebrenica last Thursday and declared that he would not leave the town until aid for its desperate population arrived.

Serb authorities allowed the convoy into eastern Bosnia only after the general, who had gone to the border to negotiate with the local Serb militia commander, agreed to Serb demands that the convoy should travel without military escort and leave behind two Belgian doctors and three UN military observers.

The general also insisted to the local Serb leaders that he had the authorisation of President Slobodan Milosevic of Serbia for the convoy to proceed to Srebrenica.

Once in the town, Gen Morillon warned that, following a lightning offensive, Srebrenica was close to capture by Bosnian Serb forces, who were only 2kms away.

A UN official had earlier reported that Moslem positions and targets 4kms away had been hit by a shell every second during a 15-minute period yesterday.

The convoy was due to spend the night in Srebrenica and evacuate the hundreds of sick and wounded in the trucks which had been carrying the relief supplies.

Conditions in the town were reported to be appalling by UN officials. Diarrhoea was rampant as the result of contaminated water and food was so scarce that fights broke out over supplies dropped by US aircraft.

The people, many without shelter and adequate clothing, wandered about the streets in an "indescribably filthy" condition and as many as 30 people wounded by shellfire were treated every day in local clinics chronically short of medical supplies, the official said.

Before the arrival of the convoy in Srebrenica, Mrs Sadako Ogata, UN High Commissioner for Refugees, had urged the US to provide heavy helicopters to fly in supplies and evacuate wounded people from the town. She asked Washington to double the amount of food it has been parachuting into the stricken town. In New York, meanwhile, the UN Security Council is expected to discuss next week a resolution proposed by France, and backed by the US and Britain, authorising the immediate enforcement of the no-fly zone in Bosnia.

The western move is also aimed at encouraging Mr Alija Izetbegovic, the Moslem Bosnian president, to accept the plan by Mr Cyrus Vance and Lord Owen, the international mediators on the conflict in the former Yugoslavia, to divide the country into 10 semi-autonomous provinces.

Mr Izetbegovic on Thursday boycotted the talks in protest against the events in eastern Bosnia, but returned to the negotiating table with the mediators again today after the arrival of the convoy in Srebrenica.

The mediators are convinced that, if they manage to convince the Bosnian president to sign their plan, it will become easier to pressure Mr Radovan Karadzic, the Bosnian Serb leader, to do the same.

For the moment, however, Mr Karadzic, who has asked for significant changes to the mediators' map, is showing no sign of being ready to compromise.

Kinkel urges practical assistance for Russia

By Quentin Peel in Bonn

MR KLAUS Kinkel, the German foreign minister, yesterday called for a direct programme of practical measures to support the Russian reform programme of Mr Boris Yeltsin, and floated the idea of Russia being formally admitted to the Group of Seven industrialised states.

Such membership would depend on Russia "resolutely pursuing" its reform programme, he said. But it was clear that in terms of "human and material resources" Russia fulfilled the necessary preconditions to join the club.

At the same time, he suggested that inviting Mr Yeltsin to attend the G7 summit in Tokyo in July would demonstrate "the unchanged political importance of the Russian federation, and the worldwide reputation of its president."

German officials are concerned that any programme of western assistance for Russia, which could be drawn up by finance and foreign ministers meeting in Japan on April 18, should do nothing to encourage Mr Yeltsin's opponents in accusing him of being a "lackey of the west."

Such a programme should now be focused on direct practical assistance for the population, including a significant element to improve living conditions for officers in the Russian army, they believe.

They want other members of the G7 to contribute towards new housing for the military, for which Germany is already paying DM12bn (£5bn), to head off any cause for military unrest.

They also suggest direct involvement in the Russian government's privatisation programme, and aid to relieve desperate shortages of drugs in hospitals, and food in old people's homes, as ways of bringing relevant western assistance to the Russian people.

Mr Yeltsin has sought to reassure western leaders, including Chancellor Helmut Kohl, that he has the support of the army in his constitutional struggle for power with the Russian Congress of People's Deputies. There are fears in Bonn, however, that regional commanders in areas such as Georgia and Moldova are acting like "independent warlords" over whom neither the Russian president, nor his Moscow army commanders, have real control.

The German military housing programme is building 36,000 apartments for officers returning from the occupying force in east Germany. However there are no comparable programmes to help those coming back from Poland and Hungary, the Baltic republics, or other former Soviet republics.

"We must show that co-operation is worthwhile, and that confrontation brings nothing to Russia," a senior German official said.

Moscow seeks active G7 backing for reforms

By John Lloyd in Moscow

RUSSIA'S deputy premier for the economy and finance has proposed to the Group of Seven leading industrial countries a seven-point plan that will demand more resources and greater engagement in the Russian economy than they have so far been prepared to agree.

In talks with the G7 "sherpas" (senior officials) in Hong Kong a week ago and with western diplomats in Moscow since, Mr Boris Fyodorov has proposed a package which, depending on how it is costed, would be worth between $10bn and $40bn-plus.

But Mr Fyodorov has stressed, according to western diplomats, that the money is less important than a continuous and serious engagement in economic reform, with major foreign states making sure Russia fulfils the conditions on which money is advanced.

The main points of the package are:

- A "budgetary support" fund of around $3bn-$4bn, mainly destined for creation of a social safety net – though western analysts also say it may be used for other programmes, such as military conversion and nuclear safety. This is the major new element in the package and the most controversial. The west may find it hard to sell politically and is reluctant to be seen forcing Russia to create a pool of unemployed which they would then support.
- A small business support programme, worth several hundred million dollars.
- A $6bn fund to be used to stabilise the rouble. Such a provision is already made in the current, much derided IMF-administered package of $24bn but has not been used because the government has not been able to create the conditions for rouble stabilisation.
- Debt relief from the interest and principal due on the $80bn of foreign debt which Russia has inherited from the former Soviet Union – which, with arrears, runs at $40bn this year.
- Access to western markets for Russian products from high-tech armaments to low-grade steel.
- Bilateral credits from various contries – though this is now seen as less important and some ministers, including yesterday Mr Vladimir Shumeiko, the first deputy prime minister, are against accepting any further increases in indebtedness.
- Better co-ordination of the aid and a tougher conditions regime. Mr Fyodorov, who greatly impressed the G7 sherpas in Hong Kong, has made a point of not asking for assistance but co-operation.

The west believes that he, with Mr Shokhin and Mr Anatoly Chubais, the deputy premier in charge of privatisation, are firmly in command of the economic strategy, and that they have convinced Mr Victor Chernomyrdin, the prime minister, of the need for continued radical reform.

Cabinet changes, foreshadowed by comments by President Boris Yaltsin this week, would centre on the economic area dominated by Mr Fyodorov. They might include Mr Vassily Barchuk, finance minister, and Mr Andrei Nechayev, economics minister.

Schlesinger sceptical of Bonn deal on finances

By Christopher Parkes in Frankfurt

THE solidarity pact agreed last weekend between the German government and opposition parties was a helpful but less than ideal compromise, according to Mr Helmut Schlesinger, president of the Bundesbank, Germany's central bank.

The deal had removed uncertainties from financial markets and would help correct imbalances in the lop-sided mix of monetary and finance policies, he said in Berlin yesterday.

It would reduce budget deficits to around 2 per cent of gross national product by 1996, compared with more than 4 per cent this year, and 0.5 per cent before unification.

But the reduction would be achieved mostly though increased taxes and welfare contributions, he told the American Chamber of Commerce.

At the same time new public borrowing demands implied in the pact were only "temporarily tolerable", he warned.

The Bundesbank repeatedly urged during the negotiations that deficits should be controlled through spending cuts and not via the easy route of tax rises.

Mr Schlesinger chose his words carefully to avoid any danger of damaging the hard-won political compromise – and charges of political interference – but he did not try to conceal his scepticism.

All in all, it was to be hoped that the advantages of the budget consolidation plan outweighed the possible disadvantageous effects of the tax increases, he said. Local authority spending had to be reined in, especially since firm spending cuts had not yet been identified.

Mr Schlesinger, who had been unable to make his feelings known before for fear of disturbing markets in advance of the bank's council meeting on Thursday, said the package was not the ideal way to encourage growth.

"Public sector demands on financial markets of the size proposed are tolerable only temporarily if monetary policy is not to be over-burdened and private productive investment is not to be hampered," he said.

Postponement of the key element in the solidarity pact until 1995 was "not exactly ideal". He was referring to the introduction of a 7.5 per cent income tax surcharge which will take effect in January 1995.

He made plain that the deal had little influence on the decision on Thursday to lower the official discount rate from 8 to 7.5 per cent. This had been made on the basis of flattening money supply growth, moderate wage increases and prospects of slackening inflation, he said.

Conservative parties' pact expected to lead to huge majority

Socialists face second round knock-out

ASSEMBLÉE NATIONALE Elections '93

TOMORROW France starts a lengthy process which will give it a new government on or around April Fools' Day.

Opinion polls attest to the generally low standing of politicians in France, but never have so many sought to join the profession. A record number of 5,169 candidates are contesting the 555 seats in mainland France and Corsica – an average of 9.3 candidates per seat compared to 8.3 at the last parliamentary election in 1988. Representatives from overseas departments and territories make up the total of the 577 seats in the National Assembly.

France's majority voting system provides for two rounds, though not all constituency fights will go to a second round. The first round is tomorrow. Candidates who win 50 per cent or more of the vote are elected. Most of these early outright victors will be candidates of the Gaullist RPR and centre-right UDF parties which are well ahead in opinion polls.

In fact, the RPR has already won a seat in French Polynesia which voted earlier than metropolitan France because it needed more time between the two rounds to tabulate results and convey election information across its south Pacific islands.

If the first round produces no absolute majority in a constituency – which will usually be the case – a second round takes place on March 28. Any candidate winning more than 12.5 per cent of votes in the first round can take part in the run-off. Victory goes to the candidate winning most votes.

Some candidates who have only just scraped through to the second round will try to pass their support to other candidates with a better chance. For instance, the Socialist party has said it will instruct its candidates to stand down if they are beaten by Green candidates, to allow tha Green a better chance in the second round. The Socialists calculate they will only rarely be overtaken by the Greens, but they hope their gesture will be reciprocated by the environmentalists in the more frequent instances in which Socialist candidates outdistance Green ones in the first round.

The only effective difference between France's two-round majority voting system and Britain's single-round majority system is that French deputies generally get elected with a higher share of the vote than their UK counterparts. Both systems tend to accentuate electoral swings – hence, some projections predict that the RPR/UDF could get 80 per cent of seats on 40 per cent of the vote.

As in the UK, the French system also tends to squeeze out smaller parties. Their best tactic is to field joint candidates, as the Verts and Génération Ecologie (and, of course, the RPR/UDF) have done. The environmentalists' problem is that their support is thinly spread, in contrast to the Communists whose strength is maximised by being geographically concentrated.

In 1986 the elections were fought under a proportional representation (PR) system,

David Buchan explains the mechanics of the French election

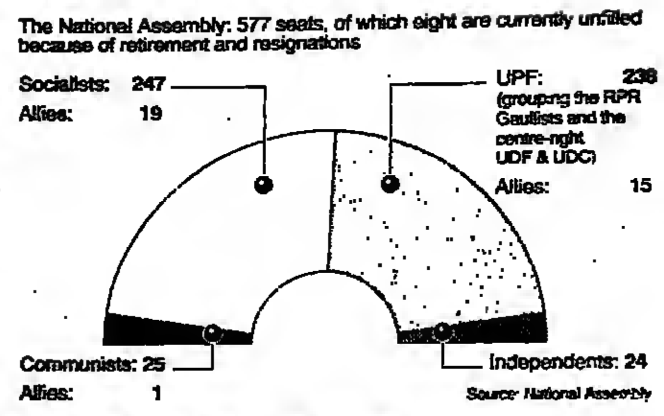
introduced by President Mitterrand and his Socialists to reduce the swing to the right. But the Chirac government scrapped this for the 1988 elections, and returned to majority voting – just as "fringe" parties were on the rise. If the Greens poll well but gain no seats, there may be calls for some return to PR, perhaps adding a national list of deputies elected by PR to the 577 constituency deputies elected by majority vote.

If, when the final results are in on March 29, it is confirmed that the RPR/UDF have won, then the Socialist prime minister, Mr Pierre Bérégovoy, will immediately submit his resignation to President Mitterrand. The latter will then consult leaders of the victorious consarvatives to discover whom they want as prime minister, and whom he feels he can accept. One idea, mooted early in the campaign, was for the new RPR and UDF blocks of deputies to present Mr Mitterrand with a *fait accompli* by designating their choice for prime minister. But neither Mr Jacques Chirac, the RPR leader, nor Mr Valéry Giscard d'Estaing, the UDF leader, will want to be bypassed in this way.

The manoeuvring could take several days. There is one constraint. Under the constitution, parliament has to start its summer session on April 2. It would look bad if the "class of 1993" were to take their seats in the Palais-Bourbon, with the government bench empty. Yet, leaving nomination of a new prime minister and government until the day before – April 1 – might be the sort of joke that President Mitterrand would enjoy.

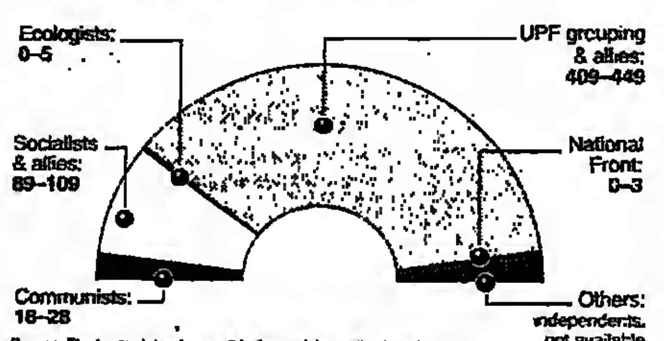
What the French have now...

The National Assembly: 577 seats, of which eight are currently unfilled because of retirement and resignations

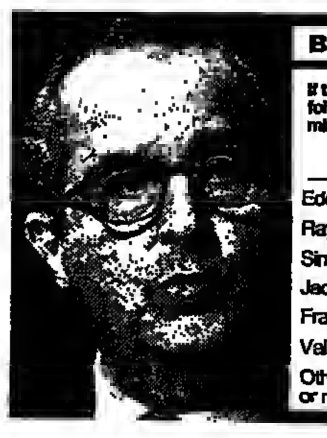


Source: National Assembly

and what they say they want



Source: Final voter-intentions poll before opinion polls closed, conducted by IFOP for Journal du Dimanche (March 14)



Balladur: favoured as PM

If the right wins the election, which of the following would you prefer as prime minister?

	% of all respondents	% of UPF & allied voters
Edouard Balladur	21	31
Raymond Barre	16	15
Simone Veil	14	10
Jacques Chirac	12	15
François Léotard	12	10
Val. Giscard d'Estaing	10	13
Others suggested, or no response	15	6

Industrial output in France picks up slightly

By Alice Rawsthorn in Paris

FRENCH Indnstrial nutpnt rose slightly in January, showing an increase of 0.4 per cent against the previous month, according to the latest figures from Insee, the state statistics institute.

The small rise suggests the economy may have stabilised, after a fall in gross domestic product in the final quarter of 1992, the first decline since the Gulf War.

A further fall in the current quarter would put France technically in recession.

This means the ruling socialists, who are expected next weekend to be replaced by the conservatives in the final round of the parliamentary elections, may be able to leave office without taking France into recession.

January's industrial output was still 4.7 per cent lower than that of January last year.

GM told to return to Finland

By Kevin Done, Motor Industry Correspondent

GENERAL MOTORS, the US car maker, is to be forced to resume car production in Finland, at least temporarily, as a result of a German court order won by its former Finnish partner Valmet, the majority state-owned paper machinery and engineering group.

The two companies are locked in a legal conflict following GM Europe's transfer of Finnish production of its Opel/Vauxhall Calibra coupé from Valmet's plant at Uusikaupunki to one of its main German plants at Rüsselsheim, near Frankfurt.

The district court in Darmstadt, Germany has issued an interim injunction in favour of Valmet ordering GM to resume production in Finland.

GM said the court ruling involved only a preliminary order and was "not a final decision on the merits" of the case.

The US carmaker said it believed the nrder was "wrong" and that it would "appeal and pursue all available legal remedies to protect its legitimate interests."

Under the terms of the order GM would have to produce 30 per cent of its Calibra output at the Valmet plant.

It said that under German law the order took "immediate effect". In order to comply with the nrder it was "studying the matter" and would advise Valmet of its proposals to restart production in Finland.

Calibra sales were currently running at around 3,000 a month across Europe, it said.

GM ceased all production of the Calibra in Finland in mid-December. It moved the Finnish assembly to Germany to improve capacity utilisation at the Rüsselsheim plant and to avoid the added cost penalties of production in Finland.

Output of the Calibra began in Finland in March 1991 at a time when GM needed extra capacity in western Enrope with new car demand at a record level, but sales have since begun to fall dramatically and GM is being forced to take several measures to cut costs. The assembly agreement with Valmet was not due to expire until the end of 1996.

GM halted the production in Finland in December after it failed to agree an assembly fee per car with Valmet following several months of abortive negotiations. GM claimed that it was suffering a DM5,000 (£2,118) per car cost penalty for production in Finland versus production in Germany.

The loss-making Valmet group produced 34,556 Opel/Vauxhall cars in 1992 and 21,532 in 1991.

Suchocka to salvage privatisation

POLAND'S coalition government led by Ms Hanna Suchocka is to press ahead with its mass privatisation plans despite the defeat by 12 votes in parliament on Thursday of legislation underpinning the proposals, writes Christopher Bobinski in Warsaw.

The government's counter-offensive includes the resubmission of the legislation in "the near future" as well as the speedy implementation of parts of the scheme which can be brought in under existing laws. "We want to move ahead fast with what will be in effect a policy of fait accompli," said a source close to Ms Suchocka.

The plan to try to salvage mass privatisation is to be finalised by the cabinet today and announced on Monday.

The Financial Times (Europe) Ltd Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1; Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd. 1993.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

LEGAL NOTICES

In the High Court of Justice Chancery Division Companies Court No. 00368 of 1993

IN THE MATTER OF COURT CAVENDISH GROUP LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 3rd February 1993 confirming the reduction of (1) the capital of the above-named Company from £2,212,276.10 to £405,156.04 and (2) the Share Premium Account of the company by £6,653,541 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 10th March 1993.

Dated this 17th day of March 1993

Solicitors for the Company

South Korea acts to boost growth

By John Burton in Seoul

MR Kim Young-sam, South Korea's new president, yesterday announced plans to stimulate the economy and remove bureaucratic controls on business.

The unveiling of the "100-day programme for a new economy" comes amid indications the administration will adopt a gradual approach towards financial liberalisation to avoid disrupting economic recovery.

Mr Kim promised that central bank lending rates would be cut and the money supply eased to boost economic growth, which amounted to 4.5 per cent last year, the lowest rate in 11 years.

The finance ministry said this week economic growth was expected to fall below the target level of 5 to 6 per cent during the first half of 1993.

Reducing interest rates represents an abandonment of the tight monetary policy the government pursued last year to cool the overheated economy.

Inflation should be controlled instead through a voluntary restraint on prices and wages, said Mr Kim, who suggested he might impose a mandatory freeze.

Kim Young-sam: 100-day plan

The government has delayed plans to deregulate most commercial interest rates until at least later in the year because of fears that this might drive interest rates higher.

It has also postponed introducing a requirement to use real names in financial transactions. Financial accounts can now be held under pseudonyms and are used to hide money generated from tha large underground economy.

The Federation of Korean Industries had warned of a flight of capital abroad and a resulting credit squeeze if the reforms were introduced soon.

Other proposals in the economic programme include support to small and medium-sized businesses, which suffered a record number of bankruptcies last year. State assistance for technological research and development will be increased, while numerous administrative restrictions hampering business operations will be abolished.

IMF and Egypt in loan accord

THE International Monetary Fund has endorsed Egypt's compliance with the Fund's first stand-hy agreement with the country, triggering the forgiveness of $3bn worth of official deht and enabling the start of talks on a freeh stand-by accord, writes Mark Nicholson in Cairo.

The Fund's board approved Egypt's economic reforms late on Thursday in Wasbington, freeing the final tranche of a $370m loan agreed in a deal originally struck with the IMF in May 1991.

Endorsement of the programme had been dne by last November, but was delayed first hy disagreement over the scale of cuts in Egypt's hndget deficit, then by IMF concern over the speed of the government's privatisation programme.

Thursday's approval signals IMF satisfaction with Cairo's progress on both.

Talks can now begin on a second stand-by agreement with the IMF which, if approved, would trigger further deht forgiveness nnder the terms of a Paris Clob deal agreed with Egypt in 1991.

Tougher battle ahead as Senate verdict on budget and stimulus plans due next week

Clinton triumphs in House votes

By George Graham in Washington

PRESIDENT Bill Clinton faced a tough battle for his economic programme in the US Senate yesterday after winning a sweeping victory in the House of Representatives.

"We are really trying to break the gridlock," Mr Clinton said after winning almost total party loyalty from his fellow Democrats in separate votes on a short term $16bn (£11bn) stimulus programme and on a longer-term budget plan aimed at cutting the federal deficit to $184bn in 1997.

But the two bills face more obstacles in the Senate, where some conservative Democrats are reluctant to vote for the stimulus measures, and where senators from oil states are equally reluctant to back a plan that depends in large measure on a new energy tax.

The Senate is expected to vote on the budget and stimulus plans next week.

For the moment, however, President Clinton seems to have preeerved important momentum for his economic programme. Mr Clinton's reading of earlier presidencies, including those of Mr Franklin Roosevelt and Mr Ronald Reagan, has encouraged him to believe he has a fleeting opportunity to push a great deal through Congress at the start of his term. Although 11 Democrats deserted the president on the budget vote, and 22 on the stimulus vote, Mr Clinton has succeeded in preserving much greater party loyalty than the last Democratic president, Mr Jimmy Carter.

Voters might tolerate tax rises and spending cuts if a serious attempt is made to tackle the budget deficit

"I think it's the first of a number of victories," said Congressman Richard Gephardt, leader of the House Democrats.

Helping Mr Clinton along is the growing perception among members of Congress that they had underestimated the extent to which their voters were prepared to tolerate tax increases and cuts in favourite spending programmes if, in return, a serious attempt were made to tackle the budget deficit.

Congress has, in fact, decided to outdo Mr Clintoo in its zeal for deficit reduction: the programme passed by the House will cut spending by $60bn more over five years than Mr Clinton's initial proposal, while the version debated by the Senate yesterday also proposed additional spending cuts.

Both House and Senate versions, however, preserve essential outlines of Mr Clinton's scheme: increased revenues through higher income taxes for the wealthy and a new energy tax, matched by deep cuts in defence spending, federal subsidies and government management costs, and offset by raised "investment" speeding on the environment, education, health, technology and infrastructure.

The House vote, however, is only the first, and arguably the easiest hattle. The hudget resolution provides the general outlines of spending and taxation: the details of spending cuts and tax rises may be harder to secnre when Congress addresses them this eummer.

Bill Clinton, after winning almost total party loyalty from fellow Democrats: "We are really trying to break the gridlock."

Supreme court judge to quit

By Jurek Martin in Washington

JUSTICE Byron White yesterday annonnced his retirement from the Supreme Court, thus handing President Bill Clinton a first and early opportunity to begin reshaping the highest court.

Justice White, who is 75, said that after 31 years "someone else should be permitted to have a like experience."

Appointed hy President Kennedy in 1962, he is the only nominee of a Democratic president now sitting on the court.

Not since 1967, when President Johnson elevated the late Justice Thurgood Marshall, has a vacancy occurred during a Democrat presidency.

At least one other member of the court, Justice Harry Blackmun, has recently spoken openly about retiring.

Thongh appointed hy President Nixon, he has emerged as one of the most liberal members, whereas Justice White has become more conservative.

Two names most frequently mentioned as likely Clinton nominations are governor Mario Cnomo of New York and Mrs Marian Wright Edelman, guiding light behind the Children's Defence Fnnd and a close friend of the president and his wife.

Moi spurns 'dictatorial' western donors

By Julian Ozanne in Nairobi

KENYA'S President Daniel arap Moi yesterday threatened to suspend relations with western donors and said Kenya was on the brink of collapse.

The president's move followed the refusal of donors to resume $40m a month aid payments amid fresh evidence of government backsliding on free market reforms and continued corruption by banks and businessmen.

Bankers and donors said Mr Moi's statement would further destabilise the economy, fuel rapid depreciation of the Kenya shilling and boost inflation, which has already risen to around 50 per cent this year.

Many observers fear the rapid price spiral will spark urban unrest among Kenya's impoverished people.

President Moi said the government was reviewing relations with donors who were forcing "dictatorial and euicidal" reforms on the country.

Mr Moi singled out the International Monetary Fund for criticism, saying the reforms were nnrealistic and were causing suffering to the Kenyan people.

"Kenya will no longer agree to policies which are economically suicidal," he said. "The government is to rethink the country's economic arrangements and take the necessary steps it deems fit to safeguard the welfare of the people."

For a month Kenya has tried to woo back badly needed balance of payments aid, which was suspended in 1991 because of corruption, mismanagement and political anthoritarianism.

The government has partly liberalised tha foreign exchange market and made tentative steps to decontrol prices. But an IMF mission two weeks ago refused to approve the reforms until the government took further measures to reign in excessive liquidity by raising interest rates, cutting the bloated 370,000-strong civil service and taking bolder steps on price liberalisation. Donors who met in London last Monday refused to resume aid until the IMF conditions were met.

In a move that seemed to meet some IMF demands on mopping up liquidity, the government yesterday issued Ksh5bn ($81m) worth of three-month Treasury Bills. Bankers who bid for tha bills said the interest rate would be around 35 per cent – 10 points lower than the IMF's target.

However, the move was overshadowed by evidence that the central bank this waek released Ksh5.4hn through the controversial pre-export financing scheme to two banks – Trade Bank and Exchange Bank.

The pre-export financing scheme has been criticised by donors as one of Kenya's worst corruption scandals, allowing politically connected companies and banks access to cheap Kenya shillings for conversion into foreign exchange and "round tripping".

Last month Mr Musalia Mudavadi, the finance minister, promised that the pre-export financing scheme had been shut down.

Mr Robert Shaw, economic spokesman of the opposition Ford-Kenya, said: "All the old scams are reappearing. Its back to business as usnal."

NEWS IN BRIEF

Milan magistrates make further arrest

Mr Attilio Bastianini, one of three deputy leaders of Italy's small Liberal Party, was arrested by Milan magistrates on corruption charges yesterday, writes Robert Graham in Rome.

The arrest of Mr Bastianini, a 50-year-old lecturer at Turin's prestigous Politecnico, was based on allegations of receiving L250m (£110,000) in relation to a contract with Anas, the state roads authority. Anas contracts now constitute the largest single area of investigation by magistrates nationwide, and this week were responsible for raising to 65 the number of parliamentarians currently under investigation for corruption-related offences.

Meanwhile, Belgian justice officials have requested the assistance of their Italian colleagues to resolve the mysterious assassination in July 1991 of Mr Andre Cools, the Belgium Socialist deputy premier. The killing is now believed to be related to a pay-off of L70bn on the L550bn contract to supply 46 Augusta helicopters to the Belgian armed forces.

The Belgian authorities have interviewed in recent days Mr Giuseppe Cortese, production manager at the time of Augusta, the helicopter manufacturer owned by Efim, tbe Italian state holding company controlled by the Socialist Party and now in liquidation. According to leaks from Milan magistrates, Mr Bettino Craxi, the former Socialist leader, is due to be questioned soon about the helicopter sale hy Belgian judicial authorities.

Trade commission rules US not harmed by UK rail imports

The US International Trade Commission has brought to an end a dumping suit filed against British steel producers with a ruling that the US industry is not injured by exports of new steel rails from the UK, writes Nancy Dunne in Washington.

The ruling, delivered late on Thursday, came after a 5-1 vote in which only the Commission chairman, Mr Don Newquist, a Democrat, found that the dumping caused injury. Two other Democrats joined three Republicans in the vote.

The outcome sends a reminder to US steel producers, who have filed dozens of dumping and countervailing duty suits against their foreign competitors, that they cannot count on a finding of injury from the non-partisan commission.

The US Commerce Department, which is believed to be more susceptible to political pressure, had found a dumping margin of 70 per cent on the rail imports. The suits were filed by Bethlehem Steel Corporation and CF&I Steel Corporation in November 1992. The US imported almost $70m wortb of rails in 1991 from Japan, the UK, Luxembourg and Germany.

● British Steel accounts for the lion's share of the UK's steel rail exports to the US. The privatised steel maker sold 27,000-28,000 tonnes in the US last year, worth £7m-£8m and up eharply from tbe 15,000-16,000 tonnes exported to the US in 1991, adds Andrew Baxter in London.

Yesterday tbe company welcomed the ITC's decision, but noted that the outcome was only what it has considered all along to have been reasonable.

Romanian government wins crucial vote in parliament

Romania's four-month-old minority government yesterday survived a vote of no confidence brought by pro-reform opposition parties unhappy witb the pace and depth of the country's transition to e market economy, writes Virginia Marsh in Bncharest.

With the support of nationalists and ex-communist parties, the left-wing Democratic National Salvation Front government defeated the no confidence motion hy 260 to 192 votes.

Opposition parties brought the motion last week after the government presented its four-year governing strategy but refused to allow parliament to vote on it.

The opposition said the strategy failed to specify measures to restructure and stem economic decline, and criticised the government for aiming to raise state involvement in managing market reform – a "dirigism" which, it said, showed the government did not understand the workings of a market economy.

Calcutta bomb death

One person was killed and 11 injured when a bomb exploded at Calcutta's crowded Sealdah station last night, writes Shiraz Sidhva in New Delhi.

The explosion is the second in Calcutta in less than four days after a bomb hlast in Calcutta's husy Bowbazar area late on Tuesday night left 86 dead, and over 70 injured.

Police say the Calcutta hlasts are not linked to the series of bomh attacks which rocked Bombay last Friday, leaving over 250 dead.

Treasury transport funding plan doubted

By Richard Tomkins, Transport Correspondent

THE GOVERNMENT'S view that private-sector money will help fund new railway projects has been sharply contradicted by a detailed report for the Corporation of London, the local authority for the City.

The study, by the London School of Economics, says the solution to London's transport problems lies in higher fares, heavier property taxes and the introduction of charges for road use, rather than "unrealistic" attempts to get the private sector interested in unprofitable projects.

The report comes just days after the chancellor's Budget speech reaffirmed the government's determination to involve the private sector in funding transport projects – including the £2bn east-west CrossRail scheme for London.

It says investment in public transport projects in London is "so fundamentally unprofitable" that private finance will not make a very significant contribution.

"There is a danger that unrealistic aspirations for attracting private finance will divert attention from the real issues and continue to sanction delay," it warns.

"All concerned will have to face up to the hard fact that if new major investment is to take place in London's transport infrastructure then some form of tax financing is going to have to be the majority source of funds."

The report, by Mr Stephen Glaister and Mr Tony Travers of the London School of Economics, is being published as part of the City Research Project, a three-year study into London's competitive position in international financial services.

It says about £1.9bn a year is needed to fund London's public transport needs.

The Corporation of London believes that the low rents accompanying London's over-supply of office space make it an attractive place to do business, but the offices will be filled only if there is sufficient capacity in the transport system.

Mr Michael Cassidy, the Corporation of London's policy chairman, said yesterday: "Financial services thrive in city-centre locations and have to be served by rail connections.

"CrossRail, the most important of the infrastructure improvements for the City of London, would equip the Square Mile to achieve its leadership role in international finance. Without it, yet another opportunity to promote the power house of the nation's invisible earnings capability will have been lost."

The City Research Project: Meeting the Transport Needs of the City. Public Relations Office, Corporation of London, Guildhall, London EC2P 2EJ. Free.

Channel rail route angers Kent villages

By Gillian Tett

HOWEVER ANGRY Mr John MacGregor, transport secretary, might feel over the leaked Channel tunnel rail plans, the mood in some of the villages along the the proposed line yesterday was even more bitter.

With the plans widely perceived to represent a cheaper – and more environmentally damaging – option than previous proposals, the leak has left residents and council groups in Kent, the main site of the future line, wearily planning a new set of protests.

The plans revealed by Mr John Prescott, shadow transport secretary, show that the line is planned to run mostly overground between the Channel terminal and London, with fewer tunnels than originally expected.

With some details of the leaked plan still to be decided, Kent County Council yesterday refused to speculate on the precise impact of the plans on the region.

Mr Sandy Bruce-Lockheart, chairman of the planning committee, said: "We recognise that you can't build a railway through Kent without causing some environmental harm. But we are insisting that the plans should conform to the highest standards."

Nevertheless, the council admits that the delays in the decision and the nature of the leaks has left many in the area feeling deeply frustrated.

Mr Andrew Rowe, MP for Mid Kent, said: "Nothing in this long-running saga has been well handled and this is no exception."

Meanwhile, along the route of the line the mood was mixed, with most villages greeting the proposals with confusion and anger.

Starting in the west, one area with some cause to celebrate is a six-mile stretch west of the town of Detling, where it seems that the line will run through a tunnel, instead of overground as once feared.

Mrs Molly Tipples, a regional campaigner, said: "Where I live we are obviously delighted."

A few miles further east, in the picturesque Boxley valley, the villages are in uproar. Although this part of the line was planned as a tunnel, the new proposals suggest it will run overground, 300 metres past a new housing estate, then slice through a section of the green belt which separates the Medway conurbation from the Maidstone area.

Mr Garreth Thomas, chairman of the Boxley village protest group, said: "We're very disappointed. The land is geographically so important."

He fears that if that section of the green belt vanishes "we could end up with a connurbation the size of Manchester."

His anger is echoed six miles further along the route in the village of Harrietsham. Villagers originally hoped to have a "cut and cover" tunnel in the area but now also face an overground option.

Residents in Harrietsham are furious that although British Rail has offered some compensation, it covers only those living within 100 metres of the track and is much lower than the levels of compensation offered in France.

Mr Robert Taylor, chairman of Harrietsham parish council, said: "There are a lot of people here who want to move but cannot sell their houses."

A few miles further east, on another stretch of the overground route, the villages of Lenham Heath and Charing fear that they will no longer be protected from the effects of noise pollution.

Mr Martin Pym, a farmer, said: "The prevailing wind will blow all the noise and dust to the village. But now it seems that a lot of the protective fencing will be left out."

He believes that the Department of Transport is "trying to cut the cost to the bone".

Warning on traffic congestion in London

By Ian Hamilton Fazey, Northern Correspondent

SIR ALASTAIR Morton, chief executive of Eurotunnel, yesterday warned that if congestion in and around London was not tackled the rest of Britain would suffer.

He told 250 senior managers from many sectors of the economy in Wakefield, West Yorkshire that congestion in London was "a sickly thrombosis – it's a malignant one, almost cancerous."

Speakers at the conference, which was sponsored by IBM, discussed the problems that northern and Scottish companies have when trying to reach markets in continental Europe.

Sir Alastair said that if London was crippled as a world-class capital city the rest of Britain would be harder to reach.

Lord Healey, the former Labour deputy leader, said the north and Scotland had more than 30 per cent of Britain's road freight traffic but received only 16 per cent of the government's budget for new motorways and trunk roads.

He added that rail freight charges had risen 36 per cent in the last year as a prelude to privatisation and more government investment was needed to improve speed of access to European customers.

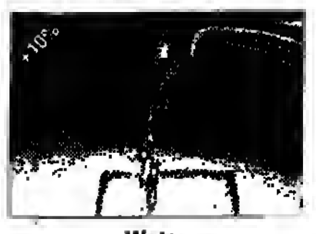
UK inflation rate (+1.8%) RPI:138.8 in February

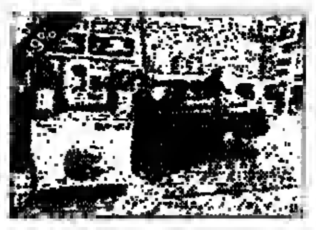
Housing (172)	-2.9%
Motoring (143)	+3.1%
Food (non-seasonal) (130)	+2.5%
Alcoholic drink (80)	+4.9%
Household goods (77)	+1.4%
Clothing & footwear (59)	-0.2%
Household services (48)	+3.8%
Leisure goods (47)	+2.1%
Catering (47)	+5.1%
Fuel & light (47)	-0.5%
Personal goods, serv. (40)	+4.8%
Tobacco (36)	+9.1%
Leisure services (32)	+5.7%
Food (seasonal) (22)	-9.0%
Fares & travel costs (20)	+5.5%

Figures in brackets are weights in retail prices index in parts of 1,000
Percentages represent annual % change to February 1993
Source: CSO

The big changes: bad news starts with the aperitif...

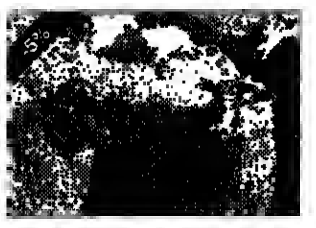

Alcoholic drinks


Water


Petrol and oil


Books and newspapers

but good news arrives with the main course and dessert


Lamb


Fruit


Mortgages


Gas

Food, petrol and clothing nudge up inflation rate

By Emma Tucker, Economics Staff

SHARPER PRICE increases for food, petrol and clothing fuelled the small rises in headline and underlying inflation last month.

Prices rose 0.7 per cent on the month, taking the retail prices index to 138.8 and the annual rate to 1.8 per cent. Underlying inflation, which excludes mortgage payments, rose to an annual rate of 3.4 per cent. Food price inflation remains low at 0.9 per cent on an annual basis, but in February food prices rose 1.1 per cent on the previous month, the biggest monthly increase for almost two years.

The Central Statistical Office said the rise occurred mainly because of a sharp increase in seasonal food prices with retailers raising the prices of fresh fruit, vegetables and home-killed lamb by more than in 1992. As a result seasonal food prices fell only 9 per cent in the 12 months to February compared with 10.4 per cent in the year to January.

In spite of recent reductions in interest rates, housing costs – mainly mortgage interest payments – rose by 0.3 per cent in February compared with the previous month. The CSO said the rise reflected a small continuing increase in the size of the average outstanding mortgage debt.

The price of household goods rose 0.7 per cent from the previous month, as the cost of furniture and furnishings bounced back after the January sales. The annual rate of inflation for this category of the RPI continued to reflect the sluggishness of the housing market, rising only 1.4 per cent in the year to February, the lowest rate for six years.

Clothing and footwear prices, which continue to fall on an annual basis, rose by 1.8 per cent month-on-month, reflecting price recoveries after the sharp reductions of the January sales and price increases as the new season's fashions entered the shops.

The second phase of higher telephone charges boosted household service prices by 0.5 per cent on the month and 3.8 per cent in the year to February. Leisure service prices also rose. Increases in excise duties announced in the Budget will not affect the RPI until April. They are expected to add about 0.5 per cent to the index.

The unhealthy story of where a family spends its money

THE NEW retail prices index weightings, which are supposed to reflect how a typical household divides its income, paint a rather disturbing picture of family spending priorities.

Mortgage interest payments still get the single biggest weighting of 48 parts out of the total of 1,000, although this has fallen from last year's weighting of 64. Sweets and chocolates get the highest weighting in the food category, accounting for 12 parts, while biscuits and cakes get a weighting of 9. Fresh vegetables get 7 parts and fresh fruit a meagre 6.

The cigarette weighting has fallen this year to 31 parts from 32, in spite of price increases. This suggests that families are spending proportionately less on tobacco.

Compact discs, which were introduced to the index five years ago, receive a weighting of 7 with cassette tapes. Vinyl records disappeared from the index last year.

The cost of foreign package holidays has been included in the retail prices index for the first time in its 79-year history.

MPs will challenge agency on lost £21m

By Alison Smith and Alan Cane

MPs on the Commons public accounts committee are to challenge officials from the Benefits Agency about how the failure of its computer system contributed to the disappearance of some £21m from the agency's accounts.

A report by the National Audit Office revealed that a total of £37m went missing from the 1991-92 accounts for the social fund, which makes loans to people in need for important or emergency purchases. In that total £8m was lost through accountancy errors and a further £8m through "normal" delays in putting new loans into the system.

Mr Robert Sheldon, the Labour chairman of the parliamentary spending watchdog, said the agency should have had much better control systems and should have devised its computerisation more effectively.

The agency said yesterday that the discrepancy had been caused by an inadequate rather than a faulty computer system, and emphasised its belief that only a "small part" of the £21m would have to be written off.

Installed in 1988 when the agency was set up, the system consists of a stand-alone personal computer in each office. It lacks facilities for transferring records electronically from one office to another, and the software is unable to deal with more than one loan per individual.

If someone repaying a loan through deductions in social security benefits moved without leaving a forwarding address any money owed became "lost" in the system.

A new computer system intended to connect individual offices has already been installed in two offices and should link every office by January.

Mr Sheldon was scathing about the way in which the agency had gone about computerisation. Too few government departments made use of the computer expertise that was available to them, he said. He added that the errors were particularly serious since the amounts represented such a large proportion of the cash-limited social fund's £300m-plus annual budget.

Clarke looks to ease drink laws

By Ivor Owen, Parliamentary Correspondent

CHILDREN WILL be able to accompany their parents in pubs, and Continental-style cafes will be permitted to sell alcohol under a relaxation of the licensing laws in England and Wales being considered by the government.

Mr Kenneth Clarke, home secretary, yesterday stressed the boost which such changes would provide for the tourism and leisure industry when calling for comments in a consultation period extending to the end of June.

He told the Commons that he hoped the introduction of more "civilised habits" would curb heavy drinking in addition to widening consumer choice.

Mr Clarke explained that pubs with suitable facilities would be granted a certificate allowing the admission of children under 14 – possibly subject to a 8pm time limit – providing they were accompanied by an adult.

The Continental-style cafes would be able to sell alcohol with or without a meal, although food and non-alcoholic drink should also be available. Mr Clarke emphasised the government had "absolutely no intention" of relaxing the prohibition on the sale of alcohol to people under 18, and their consumption of alcohol in licensed premises.

He said a further proposal would remove the absolute discretion of licensing justices and, as was already the case in Scotland, limit the grounds for refusing a licence to those specified by statute.

Mr Tony Blair, shadow home secretary, said changes should not result in the interests of local people being cast aside for commercial reasons. He said: "The problem is not pubs wanting to open but prevented by the licensing laws, but the numbers closing."


Kenneth Clarke takes a turn behind the bar at a London pub yesterday to promote his proposals to update the licensing laws

End to antiquated rules welcomed

By Richard Evans

VISITORS TO Britain will no longer be quite so bewildered by the country's antiquated licensing laws if the proposals put forward yesterday by Mr Kenneth Clarke, home secretary, are introduced.

The planned reforms were welcomed by brewers, pub companies and tourist authorities.

Reaction was summed up by Camra, the Campaign for Real Ale, which said there was no question of wanting to change the law on when children could drink alcohol "but making the kids drink squash in the pub car park is one of the bizarre British rituals that really ought to be scrapped".

Mr Clarke, who once objected to being called a political lager-lout because he prefers real ale, said: "It is time to relax some of the laws which have made most pubs no-go areas for families."

The Brewers' Society strongly welcomed the move to provide children's certificates for suitable pubs to allow youngsters under the age of 14 to be admitted up to 8pm when accompanied by an adult.

Mr Robin Simpson, the Brewers' Society's director, said: "It is sheer common sense to allow pubs to apply for these certificates and it reflects the fact that pubs are now a modern leisure unit which should be available for use by all the family. It is also the best way to get over a sensible drinking message to the kids."

Pubmaster, the UK's largest independent pub retailer with more than 2,000 pubs, said the relaxations would bring Britain more into line with the rest of Europe, and in creating more potential business for the licensed trade, was welcome news. This was particularly so as the chancellor had again hit beer in the Budget.

Whitbread, the brewing group, thought the proposals would help to remove the mystique which surrounded eating and drinking in pubs for many children, and ultimately should lead to more sensible eating and drinking.

Mr Mark Bennett of Alcohol Concern gave the proposals a cautious welcome if they made pubs safer and more sociable rather than heavy drinking shops.

"But there are caveats. We want to know what the criteria will be for giving children's certificates, and we will be pressing for better training for bar staff and for a period of monitoring after the changes have been introduced," he said.

The English Tourist Board said it had been pressing for the relaxation of licensing laws and the idea of children's certificates would make life easier and more pleasant for families.

The certificates are already in use in Scotland.

THE WETS have won in Wales. The government intends to abolish the referendum that is held every seven years on Sunday pub opening, Roland Adburgham writes.

This process has steadily reduced the number of Welsh areas where pubs are closed on Sunday, due in 1996, should be the last. Only legislation would then be able to change its result.

Sir Wyn Roberts, minister for Wales, said: "Since the inception of Sunday opening referenda in 1961 there has been a steady decline in turnout which was less than 9 per cent of the electorate at the last poll, held in November 1989."

The diehard district was Dwyfor in north Wales, where the turnout was 47 per cent. A majority of nearly 1,500 voted to stay dry. Mr Dennis Roberts, the district council secretary, said yesterday: "Sunday opening is an issue locally. It was a vote for the old way of life."

Ruling is sought on BES scheme

A £25m loan-backed Business Expansion Scheme organised by Barclays de Zoete Wedd may have failed to qualify for tax relief due to an oversight on the eve of the Budget, **John Authers writes.**

Mr Norman Lamont, the chancellor, said in his speech that shares in BES companies had to be issued to shareholders by midnight before the Budget if loans were to be made against them.

BZW, a London-based securities house, said yesterday that there were "uncertainties in the Inland Revenue press release" and that it was seeking a ruling from the Revenue.

The Inland Revenue said that it was left to individual tax inspectors to decide when a share had been "issued". It said: "This will normally happen when the shareholding has been listed in the company's register of members."

BZW's Gracechurch companies bought repossessed properties from Barclays Bank's loan book. They were launched at the end of February and were fully subscribed within a week.

Earlier this week two other companies, raising money for Oriel College Oxford and the University of Bristol, had to offer to return money to investors after failing to allot shares by the deadline.

Power licence for Marc Rich

THE MARC Rich commodities trading organisation, which is based in Switzerland, has become the first foreign company to be awarded a licence to supply electricity in England and Wales.

Rich claims to be second only to Cargill, the US group, among the world's diversified trading houses, concentrating particularly on oil and aluminium. It publishes no accounts but Mr Marc Rich, who has built up the group since 1974, says turnover is about $30bn (£21bn) a year while the net worth is about $1bn.

Mr Rich is a controversial figure because since 1984 he has been wanted by the US authorities for tax evasion and on charges that he illegally traded with Iran during the hostage crisis. He never visits the UK, which has extradition arrangements with the US.

The Office of Electricity Regulation yesterday granted the Rich organisation a second-tier licence with permission to supply electricity to very large industrial customers, each with demand for at least 1 megawatt.

Rich will buy its electricity from the "pool" or the wholesale market formed after privatisation of the industry.

So far Offer has issued 28 second-tier supply licences for England and Wales and 17 for Scotland.

Plan for Rosyth is criticised

ROSYTH Royal Dockyard, the privately-managed Fife naval facility threatened with losing its nuclear submarine refitting business, said yesterday that a proposal for it to upgrade oil tankers instead was unlikely to work.

The proposal, made last month by the rival Devonport yard in Plymouth, was aimed at finding an alternative use for the incomplete submarine dock project at Rosyth, on which £120m of government money has been spent.

Rosyth's counter-study found the proposal "deeply flawed".

One-day strike called at Ford

A ONE-DAY strike of 8,500 white-collar staff at Ford has been called for Thursday by the MSF white-collar union in protest at the threat of compulsory redundancies. The date coincides with the launch of Ford's Mondeo model.

Foremen at Ford's Dagenham, Swansea and Southampton plants are today due to end the strike they started four days ago against the compulsory redundancy threat. Ford said last night their strike had "made no impact on production".

More TV dishes

THE number of satellite dishes in Britain reached 2,059,000 in January, an increase of 44,000 from December, the latest monthly survey by GFK marketing services shows.

Sales are being made increasingly by the electrical retail chains at the expense of specialist rental companies and independent shops.

● US court battle could be 'like world war three' ● Government pressure to end dogfight ● Poisoned pill offer rejected

Virgin weighs up legal options in fight against BA

By Robert Rice and Daniel Green

VIRGIN Atlantic yesterday said it was considering three courses of legal action against British Airways after the breakdown of the negotiations designed to compensate Virgin after BA's alleged "dirty tricks" campaign:

● In Europe under the competition rules of the Treaty of Rome.

● In north America under US anti-trust legislation.

● In the UK under the Data Protection Act and the Computer Misuse Act.

Of the three courses of action a complaint to the European Commission under article 86 of the Treaty of Rome seems the least attractive.

The article prohibits a dominant position in a substantial part of the common market if the position affects trade between EC states.

Virgin's first step would be to lodge a complaint with the European Commission backed by evidence of BA's anti-competitive behaviour.

The commission would then launch an investigation and has extensive powers to request information and carry out on-site inspections of business records. But the investigation could take a long time. The commission is unlikely to pursue the matter with any urgency if the complaints against BA are limited to past conduct.

If the commission eventually found BA guilty of an infringement it could impose a fine on BA of up to 10 per cent of its worldwide turnover. However Mr Richard Branson, Virgin's chairman, would not recover any damages.

To recover damages for a breach of article 86 he would have to bring a private action in the British courts. The courts have little experience of trying such cases, however, and it could turn out to be a very time-consuming and costly exercise for little reward.

Damages awarded by British courts are tiny when compared with the sums awarded in the US. So, if Mr Branson is determined to press ahead against BA he would do better to sue BA in the US. There, the courts have the option of tripling the damages awarded.

Virgin's lawyers have already looked at suing BA in the US. When gathering evidence of alleged BA dirty tricks in America in advance of the UK high court libel action, lawyers from London firm Harbottle & Lewis met Mr Robert Beckman, the US anti-trust lawyer. Mr Beckman handled the anti-trust lawsuit brought by Sir Freddie Laker, owner of the defunct Laker Airways, against BA over Skytrain which was concluded in 1984.

Mr Beckman will have warned Virgin of the risks of suing in the US. The Laker case became bogged down over the issue of whether the US courts had jurisdiction to hear the case. The federal circuit Court of Appeals eventually ruled that the courts did have the jurisdiction, but the two parties settled out of court and no legal decision was ever reached on the merits of Mr Laker's claim.

Virgin might avoid such a fight provided it limits its claim to the dirty tricks which allegedly took place in the US. Nevertheless, US anti-trust lawyers warn such an action is fraught with danger.

Virgin would almost certainly be limited to bringing the US equivalent of an article 86 action under section 2 of the Sherman Act, alleging abuse of a monopoly position.

"If BA fights it would be the equivalent of World War Three litigation. It's a very unclear area of the law," one US anti-trust lawyer said.

He warned there would be problems in defining in which markets there was dominance and in deciding whether the complaint amounted to anti-competitive conduct under the Sherman Act. There would be also any number of appeals on points of law.

"It could take anywhere between five and 10 years to litigate," the lawyer added.

Even if Mr Branson was awarded triple damages it would still be open to BA to sue Virgin in the UK courts under the clawback provisions of the Protection of Trade Act, which is designed to restrict the impact of the jurisdiction of foreign courts over UK companies.

Although this legislation has never been invoked in Britain, it allows for the clawback of up to two-thirds of a US triple damages award.

Mr Branson also faces problems with using the Data Protection Act and Computer Misuse Act. While the British courts could provide a forum for the revelation of further potentially embarrassing information on BA, the acts are rarely used and involve limited penalties.

Virgin refused to be drawn yesterday on when and which course of legal action it would follow against BA. A decision is promised within a few weeks.

Whatever his final choice, Mr Branson will be aware that he will need a very deep pocket if he is eventually to recoup more than the £9m he was reputedly offered during the settlement negotiations.

From cups of tea... to round-the-clock talks...to a farce

By Paul Betts and Michael Cassell

IT ALL started politely enough over countless cups of tea in the ground-floor drawing room of Richard Branson's elegant Holland Park mansion.

For 90 minutes on Monday, January 25, the flamboyant head of Virgin Atlantic, perched on the edge of his armchair, chatted animatedly with Sir Colin Marshall, the hard nosed and somewhat more conventional chief executive of British Airways.

Both men were anxious to bury the hatchet after a messy, damaging and sometimes squalid battle which threatened to spiral out of control. A fortnight earlier BA had attempted to end its long-running "dirty tricks" dispute with Virgin when it apologised in the High Court for its underhand behaviour and paid £610,000 in libel damages.

Branson, in spite of the settlement, was still fuming at what he always saw as an attempt by BA to drive his smaller airline out of business. The day after Virgin's court victory, Sir Freddie Laker, whose own airline was forced out of business 10 years earlier, had telephoned from Florida to congratulate Branson and to offer a succinct piece of advice: "Sue the bastards".

The Virgin boss now wanted a lot more than £610,000. He sought millions from BA for the damage inflicted on his fleet of eight jumbos, with a commitment never again to treat a competitor so shabbily. He threatened a barrage of legal action across the US and Europe if BA refused.

In spite of BA hopes that the High Court hearing would represent the end of the affair, the airline knew it had to talk. Branson was not a man to give up easily and the mere threat, deftly dropped into the odd conversation, that he had far more damaging evidence could not be dismissed lightly.

Both sides were also under increasing pressure from the government to settle a dogfight which ministers believed was giving the British airline industry a bad name.

At their Holland Park summit Branson and Marshall were joined by Trevor Abbot, Virgin group managing director, and Robert Ayling, his opposite number at BA. Marshall kicked off with a statement repeating his airline's apologies and providing assurances that he had not been involved in any campaign.

Like dishes on a menu, Branson then reeled off the issues he expected both sides to cover during talks designed to reach

The draft contained a poisoned pill. BA was now insisting on a strict confidentiality clause and the return of documents, setting out the "dirty tricks" allegations against BA, which had forced the airline into a High Court settlement.

a final peace settlement. High on the list was a pledge by BA not to make any further improper use of Virgin computer information and an end to passenger poaching.

Marshall and Branson seemed to take it in their stride. They emerged, smiling and joking, to tell the press, who had been kept entertained in Branson's dining room, that talks would start at once.

Sir Colin was to fly out of the country on business, so he left Ayling to fix up an early meeting with Abbott and start the hard bargaining. Lawyers constantly on hand, Abbott and Ayling started to meet regularly at Enserch House, BA's London offices in St James' Square. Occasionally they convened at Linklater and Paines, the airline's solicitors.

The talks quickly became bogged down. An insider said: "It was quite clear that BA's lawyers were, initially, just intent upon finding out what else we might have on them."

On February 5 BA announced that Lord King was stepping down in sadness as chairman six months ahead of schedule. The end of his 12-year reign handed Sir Colin the executive chairman role he had always wanted.

Ten days later the negotiations came close to collapse. In spite of a mutual pledge that neither side would disclose any details until an agreement was signed, Branson awoke to find Sunday newspapers carrying the terms of an offer included in a letter from BA to Virgin.

His fury at BA's apparent lack of good faith intensified on press suggestions that his side had leaked the terms of BA's offer. The theory was killed when it emerged that the letter was a draft which had never left BA's hands.

That Sunday Branson wrote a long and angry letter to Sir Michael Angus, BA's deputy chairman. The letter challenged statements by BA's lawyers that the airline's directors had not known about the "dirty tricks" campaign.

Branson focused on the specific issue of computer accessing. Virgin had accused BA of tapping into its computer reservation information for the past three years and that it had continued to do so last summer even after Virgin's lawyers had formally complained to BA.

In any case, the offer BA leaked to the Sunday newspapers was unacceptable. The UK flag carrier proposed to pay Virgin £3m to settle a long-standing aircraft maintenance dispute and also suggested arbitration procedures to determine Virgin's claims for commercial damages.

The Branson letter brought BA back to the negotiating table and Lord Caithness, the aviation minister, urged Branson to try to settle to avoid a damaging legal battle in the US.

Richard Branson

Timetable of confrontation

1987 British Airways buys British Caledonian, which services Virgin aircraft. BA raises maintenance charges and tells Virgin it will not service additions to its fleet

1990 Virgin experiences problems in gaining access to BA training facilities. In the autumn, Virgin angers Lord King by flying British hostages out of Iraq

1990 BA launches ticket price war on Virgin routes. Richard Branson begins a file on alleged BA anti-competitive activities and threatens EC action

1991 January Virgin wins extra slots at Tokyo and is attacked by BA for expansionist ambitions. Branson objects to Lord King

1991 October Virgin obtains copy of confidential BA report on Virgin's business compiled by public relations consultant Brian Basham

1991 December Branson writes to BA non-executive directors alleging "black propaganda" to discredit his airline. The charge is rejected

1992 January Thames Television reveals BA "dirty tricks" campaign against Virgin

1992 February Lord King denies allegations and accuses Virgin of a publicity stunt

1992 March Lord King says Branson is "too old to rock and roll and too young to fly". Branson sues for libel

1992 November Lord King offers a £450,000 out-of-court settlement to Branson which is rejected

1993 January Branson accepts public apology and £610,000 damages in High Court settlement. He still demands compensation for commercial damage

1993 February Lord King retires six months early and David Burnside, BA's head of public relations, leaves. BA offers Virgin £3m compensation

1993 March BA ups its offer to £9m. Branson accepts cash offer in principle but rejects BA demand for pledge of silence.

1993 March 19 Virgin's patience runs out. Branson decides to sue and calls for DTI inquiry

Colin Marshall

When the talks resumed after an apology from Sir Colin for the previous weekend's events the lawyers took the strain. As the days passed Gerrard Tyrell and Colin Howes, the Harbottle and Lewis lawyers working for Branson, fought for 48 hours to stay awake as they sparred with an army of legal experts from Linklaters, Simmonds and Simmonds – representing the non-executive directors – and Sullivan and Cromwell.

Working in shifts up to 20 BA lawyers kept one session going for 25 hours without a break. A Virgin official said: "BA's view appeared to be that they were buying Virgin's silence, not that they were compensating us for the 'dirty tricks' campaign."

By February 18 Abbott had presented a compromise package to Ayling. Talks to hammer out the compromise intensified but on February 22 they risked being derailed with fresh press disclosures suggesting BA was still poaching Virgin passengers in California.

The same day Branson rushed to Heathrow Airport to indulge in the type of highly effective self-promotion which has become his hallmark. Opening the new Virgin Clubhouse, complete with music room, massage and manicure parlours, Branson vowed to make flying fun.

He had a more serious message for BA, issuing another public ultimatum to his competitor to settle immediately or face a bruising legal battle.

The following day a meeting was held at Branson's home between the Virgin boss, Abbott, Ayling and Michael Davies, a BA non-executive director standing in for Sir Michael Angus.

Branson told them he would settle the dispute for around £12.5m – £13m which would cover both the maintenance row and passenger poaching claims.

On March 1, BA came back with a draft contract including a counter offer of £9m. With some BA directors suggesting the figure was unnecessarily generous, it was to be BA's last cash offer.

The draft, however, contained a poisoned pill. BA was now insisting on a strict confidentiality clause and the return of documents setting out the "dirty tricks" allegations against BA which had forced the airline into a High Court settlement.

Although he would accept the £9m cash payment, Branson flatly rejected any suggestion that his company should be permanently gagged. Neither would he tolerate returning the court documents if BA intended to shred them. He suggested they should be held by lawyers at least until both companies enjoyed a better relationship.

An angry Branson told Sir Michael Angus that the idea of a gag was contemptible. Such were the conditions being laid down by lawyers, he complained, any autobiography he should one day write would have to pretend the affair never happened. Setting yet another deadline he told BA: "settle by 4pm Friday or we'll see you in court."

The following day, with the talks deadlocked, Branson used an address to the Royal Aeronautical Society asking the government to give smaller UK airlines a fair crack of the whip in competing for business against BA. He could not resist a jibe, thanking BA for its "generosity" in checking, at absolutely no cost to Virgin, his airline's computer records.

Two days later, after Sir Colin and Ayling had found themselves facing criticism of their airline's behaviour from some MPs at a meeting of the Commons all-party Aviation Group, talks were back on to resolve the gagging and shredding issues.

As the hours ticked away towards 4pm on Friday March 5, Branson's team drew up a press release announcing the collapse of talks and the decision to pursue BA through the courts. At 3.59pm, a letter arrived from Ayling, telling Branson a more detailed response was on its way.

Once more in the game of bluff and counter bluff, the Virgin camp lifted the deadline. When it came, however, the counter offer was still not acceptable to Branson. Although BA proposed to keep the "dirty tricks" documents for five years, the Virgin boss felt he still faced an unacceptable vow of silence.

That Sunday, Branson flew to New York as his lawyers digested the contents of BA's latest offer and prepared another response. When Branson returned to London four days later, both sides were still bogged down in a legalistic tussle which increasingly threatened their credibility in the eyes of those watching.

The log-jam continued for seven more days, in large part because BA's top management were engaged on another front with the airline's USAir deal coming to a head. Ayling had to fly off at a moment's notice to the US where the new Clinton administration was about to pronounce itself on BA's $300m investment in USAir. The USAir deal, much to BA's relief, was cleared last Monday.

Back in London, Ayling sent a letter to Virgin saying that BA was prepared to continue negotiating but not prepared to accept arbitrary deadlines repeatedly set by Branson.

Virgin said Ayling's latest and long-awaited response was still totally unacceptable because it continued to insist on gagging Branson. "This is turning into a Brian Rix farce and even farces don't run for so long in the West End," said Abbott, and re-set deadlines.

was enough. After Branson returned yesterday from the US he announced that he was breaking off talks with BA and that he was starting legal proceedings against the UK flag carrier's conduct in the UK, EC, an US courts. The battle which lies ahead could make recent events look like a minor dogfight.

ITC supports Granada TV

By Gary Mead, Marketing Correspondent

THE INDEPENDENT Television Commission has rejected charges that Granada TV is in breach of the conditions of its broadcasting licence, a claim made last month by Ms Ann Clwyd, the shadow heritage secretary.

Ms Clwyd alleged that Granada was reneging on promises made in its franchise application that it would make 20 prestige drama and film productions.

She further accused the company of putting profits before quality. Granada TV issued a vigorous rebuttal of the allegations, which the ITC has totally supported.

In its ruling yesterday the ITC, the commercial network's supervisory authority, said "there is no evidence that the licence conditions will not be met".

The ITC pointed out that while there has been a "significant number changes in board membership", 10 of the 17 senior staff members named in Granada's successful franchise bid are still with the company.

Ms Clwyd said that Granada's Liverpool news operation – a key element of its commitment to regional programming – had been closed down, which the ITC said was incorrect.

The ruling added: "The ITC will continue to monitor the performance of all its licensees against their licence conditions." It "totally refutes" Ms Clwyd's "unfounded and unsubstantiated allegations that the ITC is failing in its regulatory duties".

Ms Clwyd intends raising the matter again in the House of Commons on Monday.

Mr Charles Allen, Granada's chief executive, welcomed the ITC's ruling, adding that Granada's commitment "to the highest quality regional and network programmes continues stronger than ever before".

● The ITC signalled yesterday that it is closely monitoring developments at Yorkshire-Tyne Tees Television. Yorkshire took over Tyne Tees in 1992. The ITC is concerned that the merged company will abide by ITC requirements to continue regional broadcasting in the former Tyne Tees region.

● The pornographic satellite television channel Red Hot Television, formerly titled Red Hot Dutch, is to be banned in the UK, the government said yesterday.

Concern over undertaking on role by BBC governors

By Gary Mead, Alison Smith and Richard Lapper

DOUBTS WERE being expressed at senior levels in the BBC last night that the corporation's governors intend to follow through an undertaking made on Thursday to clearly redefine their roles and responsibilities.

It emerged yesterday that the governors had been angered by criticisms of their role in the appointment of Mr John Birt, first as deputy director-general and then, from January 1 this year, as director-general. Those criticisms, by the BBC's 41-member general advisory council, have apparently encouraged the governors to dig their heels in and resist pressure to undertake a thorough reform of their role.

One senior source at the BBC said yesterday: "The only thing that is likely to change the mood of the governors now is if any of the general advisory council members threaten to resign in protest."

The dominance of Mr Marmaduke Hussey, chairman of the board of governors, over the activities of the board of governors will not be affected by Thursday's statement. A source close to the governors said things would go on as before.

Four of the governors, including Lord Barnett, vice-chairman, are due to retire at the end of July. However, "even after they are gone the chairman will still be there, as will the director-general," said a figure in the BBC yesterday.

The general advisory council is not due to meet again for several months. But several of its members, including Mr Robert MacClennan, Liberal Democrat home affairs spokesman, have indicated their firm wish that Mr Hussey should resign.

Were pressure from the council to eventually force a much firmer intention of the board of governors to redefine its responsibilities and activities, a political dimension would enter the furore. Depending on how far-reaching reform of the governors' practices were to be, the the BBC charter itself may have to be amended.

That amendment could be made only with the agreement of Mr Peter Brooke, the national heritage secretary, and would have to be approved by parliament.

Meanwhile, it was still unclear yesterday whether Mr Birt has agreed to give a financial indemnity to the BBC if problems with the Inland Revenue emerged due to a reassessment of his tax status.

Some accountants believe that if Mr Birt was judged to have been an employee of the BBC for tax purposes it would be possible for the Inland Revenue to claw back PAYE tax liabilities and national insurance contributions from the BBC.

Ministers flock to laud prospects for economy

By Alison Smith

SENIOR ministers yesterday projected an upbeat message on British economic prospects, coupling it with praise for the Budget which they claimed had set the UK on the path to sustainable growth.

Ministers' optimism was part of an orchestrated attempt to drown out "doom-mongers" – who have been condemned by Mr John Major.

Ministers want to shift the agenda of economic discussion towards the Budget's benefits for business and away from the implications for the needy of the extension of VAT to domestic fuel and power.

Until recently, some ministers have been reluctant to claim in public that they, too, have detected "green shoots" of economic recovery, apparently first sighted by Mr Norman Lamont, the chancellor, at the Tory party conference in 1991. Their fear has been that their sighting might be equally shortlived.

Yesterday's ministerial speeches contrasted the UK's grounds for economic confidence with the recession elsewhere. Mr Douglas Hurd, the foreign secretary, said: "Recovery is not yet secure but our prospects are looking brighter, while for many countries they are looking bleaker."

Mr William Waldegrave, the public service minister, told his Bristol West constituents: "At a time when other countries are facing growing economic difficulties, the skies over Britain are becoming brighter."

Mr Stephen Dorrell, the Treasury financial secretary, told a meeting in his Loughborough constituency: "This has been a five-star week for Britain. Why won't Britain welcome it?"

Labour continued to pursue ministers on VAT and on their "betrayal" of their election promises not to raise taxes.

Compromise agreed over police shake-up plan

By Alison Smith and Alan Pike

MINISTERS have agreed a compromise over proposals by Mr Kenneth Clarke, home secretary, which would have led to a radical re-organisation of the police service at the expense of local councils.

Mr Clarke's original plans would have shifted all police funding to Whitehall, and elected councillors would have lost their majority on police authorities.

Compromise proposals, expected to be announced next week, will ensure that there is a continuing role for councillors. They are expected to retain about half the places on police authorities. The others will be filled by home office appointees, taking account of ministers' desire to see the business community more involved in running the police.

There are also signs that the 43 police forces in England and Wales will not immediately be halved in number. Mr Clarke is likely to underline that the proposed power to merge police forces should be exercised only after consultation.

Chief constables meeting at an Association of Chief Police Officers seminar yesterday said that it would be "madness" for Mr Clarke to change police force boundaries in advance of the forthcoming local government reorganisation. They called for any eventual reorganisation to be based on a level-headed business case rather than "unquantified gut feelings."

Although the chief constables accepted the case for additional members of the public serving on police authorities, they said the link with elected members of local authorities must not be lost. "Officers serve the people, not the state," said Mr John Burrow, ACPO president, after the meeting.

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Saturday March 20 1993

World on the trade brink

TRADE FRICTION is increasingly likely to undermine western co-operation. Short-sighted decisions made by myopic decision-makers may do untold damage to the hopes of billions of people around the world.

The background is inauspicious. With the collapse of the former Soviet Union, the strategic glue binding the western economies, has dissolved. Where once there was a nuclear-armed colossus to fear, there are now beggars to shrug aside. To its credit, the Clinton administration wants the west to unite to help rebuild Russia. Unfortunately, squabbles over how to share the burden now divide the west, whereas the threat once presented by the Soviet Union united it.

The less than happy state of most major economies makes co-operation still more difficult. The exception is the US. This week's announcement that US output was up by 0.4 per cent in February and 4.3 per cent over the past 12 months merely confirms that Mr Clinton must be the luckiest – and Mr George Bush the unluckiest – politician on earth.

Others have been less fortunate. The UK economy may now be recovering after its two and a half years or so in recession, but only after a policy *volte face* forced upon a recalcitrant government by the foreign exchange markets. In the other major industrial countries, the picture is darker still. The British Treasury forecasts a fall of ¾ per cent in the combined gross domestic product of the three largest continental European economies in 1993, following an increase of only 1¼ per cent last year. German GDP may even fall by 1¾ per cent this year, it argues. Yet neither the grim economic tidings nor the much vaunted "solidarity pact" have been enough to transform the Bundesbank's caution. For the rest of Europe, the Bundesbank's monetary policy feels like the death of a thousand small interest rate cuts.

Further stimulus

Meanwhile, the Japanese government is contemplating a second major fiscal package, to follow the Y10,700bn (£62.5bn) emergency increase in public works spending announced last autumn. Since the British Treasury's forecast is for a mere 1 per cent increase in Japanese gross national product between 1992 and 1993, following 1.5 per cent last year, such a boost would seem inevitable. But the trade surplus, which reached $10.55bn in February alone, is the *most important* reason for further stimulus, since it has become an increasingly significant focus of tension, particularly with the US.

The Japanese trade surplus is as much an excuse for the friction as its cause. Washington is in the grip of what looks increasingly like a new policy paradigm, one that is bound to make trade relations with the US more difficult. Where once US trade policy was aimed at agreement on legal and administrative processes, it is now aimed increasingly at achieving specific quantitative results. Where once it was multilateral, it is increasingly bilateral or unilateral.

Specific commitment

The prime example of the new policy paradigm is the 1986 semi-conductor pact, progress on which is due to be reviewed by US and Japanese trade officials in Hawaii this weekend. For many Americans this is the example of how trade should be conducted with Japan. They particularly like the specific commitment to a 20 per cent foreign share of the Japanese market which they believe it contained. To this, the Japanese reply that there was no such commitment. They also assert that no market economy could make such a commitment. Fortunately, the immediate dispute has been defused by the news that the Japanese have reached the "target" they insist is no target at all.

While the US is apparently intent on turning Japan into the "Japan Inc" that Americans complain it already is, it has not left its trade relations with the European Community in peace either. Fortunately, the threat of immediate US sanctions over public procurement has been lifted. But US policy towards the Uruguay Round of multilateral trade negotiations remains extremely obscure.

It is an obscurity that some in the EC, particularly the government most likely to emerge from the coming French elections, may want to exploit. That government will, after all, be elected largely because the economy suffers from rising unemployment and is burdened by short-term real interest rates at around 8 per cent. Protectionism is almost inevitable. The conservative parties are already committed to reviewing the farm reform of the EC. They are no less committed to changing the agreement on farm trade negotiated with the US last year. Since the US apparently wants precisely the same thing, further conflict would seem inevitable.

The mistake on all sides has been a failure to recognise that harmonious trade relations have now become more central rather than less. It would be a bitter irony if only the collapse of Russia's reforming government were to restore the co-operation among the industrial countries that is now so sorely lacking.

UK manufacturers have had a cool response to the Budget but welcome efforts to boost morale, says **Tony Jackson**

Charm offensive with some value

One of the most striking features of this week's Budget was the chancellor's evident desire to flatter and cajole the nation's manufacturers. The government's alarm about the state of UK industry is not new, nor is its desire to spur manufacturers into an investment-led recovery. But Mr Lamont's efforts went beyond persuasion. On company tax, export aid and small company legislation, he appeared to be offering cash on the nail.

If early reactions are a guide, he has largely failed to convince. Most manufacturers see the Budget as having at best a neutral effect on their business. Mr Andrew Teare, chief executive of English China Clays, goes further: "What happened this week heightened the attraction of investing overseas."

It might be argued that managers are not always at their best when wrestling with macro-economic concepts. As one of Britain's most senior industrialists caustically remarks: "When all these businessmen react to the Budget the next day, they don't know what the hell they're talking about." But in a sense this is irrelevant. The government is seeking to instil in manufacturers the confidence to spend money. When it comes to confidence, perception is everything.

Most industrialists agree that there is a scent of recovery in the air, though they disagree on how far they trust it. But Mr Chris Masters, chief executive of the distribution and industrial services group Christian Salvesen, speaks for many when he says: "The government has been elected for another four years, but it appears policy can change by the hour. We'd like some faith that policy is being adhered to, almost whether it's right or wrong. What is our interest rate policy? What's our long-term policy on exchange rates? Are we raising taxes or lowering them?"

Mr Teare has a more specific worry: the Budget's proposals for future increases in personal tax. "There's some pretty tough medicine there for the man in the street. People's costs are going to go up now for three years. They know that. That's going to build up pressure on the wage front again, and that isn't good news for companies like ours which are big exporters."

For the government, such reactions are doubtless unsurprising. But when it comes to specific measures to help industry, it could with justice argue that it has acted on a number of issues which industry has pressed on it for years: in particular, export credits, advance corporation tax and infrastructure projects.

Even here, the response is grudging. Trafalgar House, for example, is a company for which the Budget might have been tailor-made. It relies heavily on export finance for big overseas engineering projects: it has a large bill for surplus ACT: and it is heavily involved in infrastructure projects in the UK.

Mr Alan Gormley, Trafalgar's chief executive, gives the government some credit for trying. "The Budget moved the tax structure in favour of industry and against the financial sector, and I think that's for the UK's long-term well-being. But it's a move which needs to be sustained on a consistent policy basis. We've been a long time getting the economy into this state, and we'll be a long time rebalancing it."

On the specifics, Mr Gormley is less generous. Take export credits. "The previous regime was ridiculous. It clearly penalised UK exporters against the competition. What we've seen in the past two years is the UK moving back closer to the middle ground. They're not there yet."

Or take ACT. "The most positive thing I can say is that it's on the agenda. The government is recognising it's a real issue. I'm not sure the solutions proposed are the right ones."

Or take infrastructure projects. "At least they didn't announce the Jubilee Line yet again. There is still more talk than action. I think industry's view is that the jury is still out until we see some of these things actually happening."

To be fair, Mr Gormley – a Scottish accountant by training – has a reputation among his colleagues for being downbeat by nature. But in his reservations on the ACT changes, he is not alone. Rentokil, the highly successful service company, raised its final dividend on Thursday by an extra amount to ensure that its shareholders would not lose under the new rules. Mr Chris Pearce, Rentokil's finance director, says: "The change in ACT was announced as a positive step for British industry. But the chancellor did it to raise money. We had to put the dividend up by £1.1m, and we will get £400,000 back in tax. So there was a net cost to us of £700,000 to put our shareholders back where they would have been before."

Mr Teare of English China Clays takes the argument further. If companies do not increase their dividends, he points out, the pension funds which they finance will have to carry the burden. "Who's going to pay the bill? Or are pension benefits going to have to come down? The benign period we've been through of pension surpluses and improved benefits would come to a staggering halt. All of that isn't the greatest background to consider more investment in manufacturing industry in the UK."

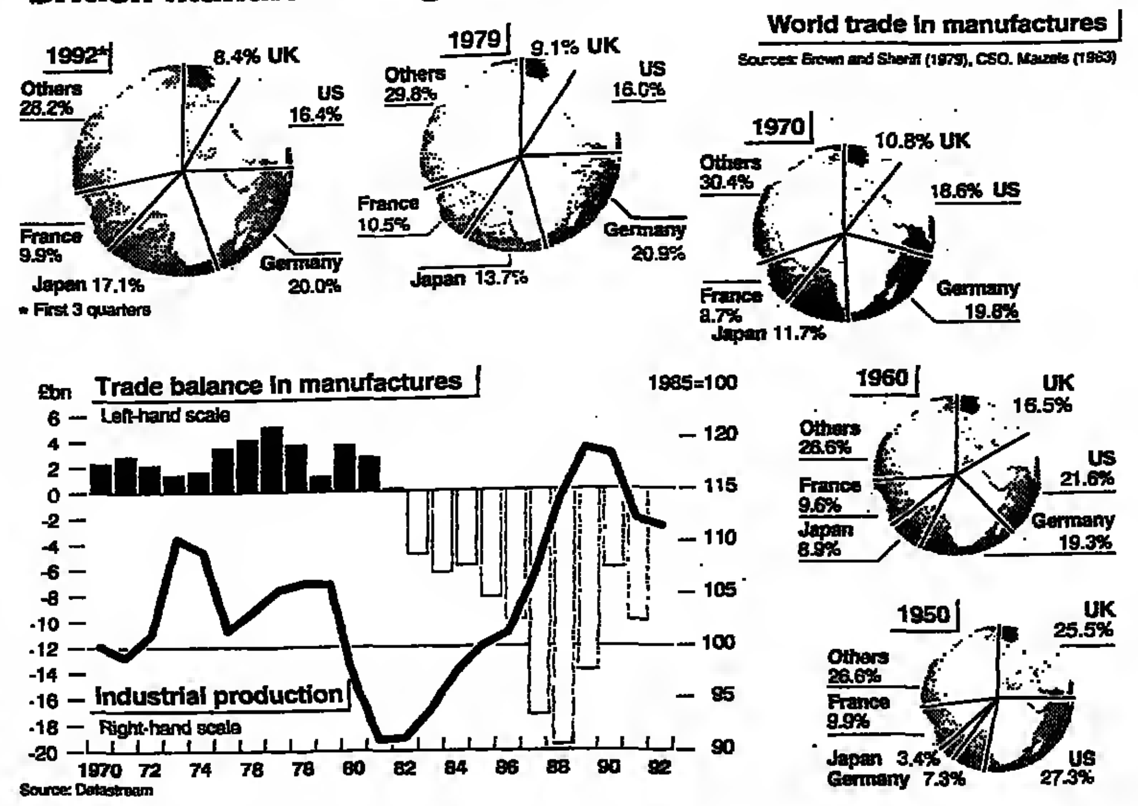
Despite the carping, few businessmen will deny that taken all round, the government's charm offensive has its value. Mr Juergen Gerhrels, UK head of the German electronics giant Siemens, says he feels no different after the Budget than he did before. "But it is very important that the government has identified itself with manufacturing. People working in manufacturing in the UK have a lower standing than in Germany. This conviction that manufacturing has an important role to play is definitely good for morale."

A senior executive with one of the UK's biggest manufacturers agrees. "We do believe there has been a fundamental shift in thinking. There's more being done now about manufacturing through the Department of Trade and Industry than for twenty years or more, and that's making manufacturers much happier."

And after all, it is possible that the chancellor is in luck. Recovery may be taking place anyway, whatever the government does. Most industrialists this week described it as patchy and fragile, but not all of them.

Mr Gehrels of Siemens runs a UK business with annual sales approaching £1bn. "I'm much more optimistic than I was a year ago. Most of our business lags the economy, since it is in infrastructure projects. But we also also make components for consumer electronics manufacturers, and there has been a definite upturn there since the start of the year. We're 30 per cent ahead of what we expected, and for me this is an economic indicator. I think we see light at the end of the tunnel."

British manufacturing decline



An irresistible force

Dividends are in the spotlight, says **Angus Foster**

Rentokil, best known for pest control, put a cat among the pigeons on Thursday by raising its dividend in response to the chancellor's Budget.

The increase aimed to compensate shareholders who do not pay tax, for example pension funds. These shareholders stood to lose out because, under Budget changes to advance corporation tax (ACT), they will receive a lower rate of tax credit on UK dividends. Fears about lower effective dividends for pension funds, the stock market's biggest investors, were one reason share prices fell on Wednesday.

Rentokil's move, which was not what the chancellor intended to happen, may add to pressure from institutions for other companies to follow suit. However, only a few companies with high dividend and interest cover will be able to afford that luxury.

"Given that dividend cover is at a low level because of recession, I would guess there is only a minority of companies which can afford a dividend increase," according to Mr David Gray, head of research at James Capel, the stockbroker.

The Budget changes are complex, and many companies are still working out the full implications. But most observers say companies in the banking, construction and engineering sectors still need to restore dividend cover and have no room to compensate investors by lifting dividends. *Utilities*, however, could increase pay-outs because of strong balance sheets inherited from privatisation and low borrowings.

Mr Gerald Corbett, finance director at building materials group Redland, said he wanted to restore dividend cover first. Lower ACT rates would save the company £10m a year and improve cash flow. "The positive effect on the company of lower ACT will more than compensate gross [untaxed] funds for their loss of earnings," he said.

UK water companies, which pay no corporation tax because of high capital allowances, are likely to face calls for higher dividend payments. These calls may be easier to resist, because water shares are valued as high-yield stocks.

"I can understand institutions wanting compensation, but it's just another factor which will have to be considered at year-end," according to Mr David Luffrum, group finance director at Thames Water.

The ACT changes will also affect corporate pension funds, which will receive the same reduced dividends as institutional pension fund shareholders. For some companies, this could mean the benefit of lower ACT is balanced out by higher pension contributions. In other cases, pension fund valuations will have to be reviewed because previously assumed rates of dividend growth may no longer be valid.

"Either way, people with pension fund surpluses may find them being used up quicker than first expected," according to another finance director.

The ACT changes will be phased in over the next year, and the new 20 per cent rate only takes effect from April 6 next year. Companies paying dividends in the weeks or months ahead of this date will be sorely tempted to delay payment and qualify for the lower rate.

One company, Rathbone Brothers, an asset management group, has already jumped the gun. It is bringing forward its interim dividend payment by two weeks to avoid the new ACT rules.

MAN IN THE NEWS: **Norman Lamont**

A spoonful of financial pain

The chancellor's current buoyancy has not been affected by an unpopular Budget, says **Philip Stephens**

There was a self-consciously poignant moment this week as Mr Norman Lamont set about persuading the British people that they would one day applaud him for putting up their taxes.

Sharing for an instant the burden of his office with a few million television viewers, Mr Lamont recalled the judgment of a colleague. Good chancellors, this wise soul had explained, were invariably unpopular. Mr Lamont allowed himself a chuckle. By that standard, he sometimes thought he was the best guardian of the nation's finances there had ever been.

This weekend as he contemplates the public mood after his third and perhaps (just perhaps) his last Budget, Mr Lamont can hardly be blamed for seeking solace. Before Tuesday's package he was unpopular with the voters. After it, he will be more deeply so.

The tabloids reminded Lamont he could not claim to be clearing up another government's mess

The reaction was not all bad. The broadsheet newspapers by and large judged that in the circumstances (and that is an important caveat) he had done something like the right thing. Faced with a £1bn-a-week Budget deficit, there was no option but to raise taxes. Cutting tax allowances such as mortgage interest relief and extending value-added tax was probably the best way to do it. The "green" edges provided by a higher tax on heating and fuel went down well with the chattering classes.

The Conservative party at Westminster offered a broadly similar assessment, though their unease at the extension of VAT to domestic fuel forced another of those by now ubiquitous government U-turns. A significant chunk of the extra revenue will have to be spent on offsetting help for the poorest.

But the tabloid press, more attuned than the politicians and journalists who inhabit the Westminster village to the mood in the pubs, was far less generous. It reminded the chancellor of all those broken promises – offered only a year ago when he was cutting taxes to help the Conservatives win the general election. It seized on the VAT move as an assault on pensioners. It had no doubt that the 1 per cent rise in National Insurance contributions was a disguised increase in the basic rate of income tax.

The tabloids reminded the chancellor more effectively than the Labour party that he could not claim to be clearing up after some other government's mess.

Mr Rupert Murdoch's Sun, which has been harrying Mr Lamont for months over his personal affairs, declared that it was no longer enough for him simply to resign. He should commit himself to a certain kind of hospital.

Mr Lamont was unapologetic. He demonstrated last autumn after sterling's exit from the European exchange rate mechanism that it would take more than a few nasty newspaper editorials to shift him from a job he has always wanted.

He has not been singing in his bath this week (apparently he now prefers reading the newspapers during his evening soak). But he is personally buoyant.

Sensibly, he has decided to mend some of the bridges he burnt with the media after the ERM debacle and during the controversy over the Treasury's contribution to a personal legal bill. He has relearned how to smile rather than snarl when criticised. He will stay at No 11 Downing Street for as long as Mr John Major will have him.

The chancellor is convinced that the Budget struck the right balance between nurturing economic recovery in the short-term and bringing *down the Budget deficit over the* medium term.

He decided on this growth-now-pain-later-strategy in January at the Treasury's pre-Budget gathering in Chevening. There was subsequently some debate about how the extra money would be raised. Mr Lamont considered extension of the VAT base to beyond domestic fuel.

His novel plan to encourage the *long-term unemployed back to work* by paying benefits to employers ready to hire them was added late in the day. Mr Lamont spotted the idea in an article in the FT (reading it, of course, in his bath).

But the outline of the macro-economic strategy did not change between Chevening and last Tuesday's speech. Mr Lamont made it clear to the prime minister that he regarded the pledge to raise an extra £6.5bn in 1994-95 and £10.5bn in 1995-96 as the minimum necessary. He also insisted from the outset that the government would have to legislate for the increases this year if the strategy was to have a shred of credibility in financial markets.

Those who have talked to him since Tuesday have taken away the suspicion that, left to his own devices, he would have preferred to have been a shade tougher. But there is no evidence of any great row with the prime minister during the Budget's preparation. On the day itself, Mr Major volunteered to his Downing Street aides that the chancellor had come up with the right Budget at the right time.

Mr Lamont wants the tax increases to be seen alongside the squeeze on public spending set last November in the autumn statements and the 1 to 4 per cent inflation target which has replaced the ERM as the lodestar for monetary policy.

Taken together, he believes all three represent a coherent macro-economic policy which should last the lifetime of the present parliament. He intends to supplement it with an approach to micro-economics which combines the free-market zeal of the Thatcher years with a recognition that government can single out manufacturing industry for help.

His judgment on the politics of the Budget was similarly sanguine. No matter that he raised taxes just a year after promising to cut them. Circumstances, a favourite friend of politicians when pledges are dropped, had changed.

Economic recovery would dim tabloid memories (by yesterday The Sun had been driven to welcome on its front page the fall in unemployment and a pick-up in the housing market). The electorate would thank him for restoring a grip on the economy, for refusing to duck difficult decisions. Had not Lord Howe got it right by being similarly tough in 1981?

Therein lies the gamble. Mr Lamont was probably correct in judging that to have done nothing would have been a more damaging admission of failure. But he may well have been too hopeful.

A ministerial colleague – in admittedly mischievous mood after a good dinner – summed up the chancellor's predicament with a cruelly amusing metaphor. Mr Lamont was like the bank robber who wounded an innocent by-stander while plying his trade. By stopping to ensure an ambulance was called before making his getaway, the robber left the bank convinced that he would be judged a popular hero rather than a villain.

Well, not quite. Mr Lamont cannot take for granted the nation's willingness to forget and forgive. He has staked all on the economic recovery taking hold before the government's finances get any worse. If it does not, then he or his successor will find themselves repeating the tax-raising exercise in November.

He is assuming that improved housing and labour markets will persuade the public to take the deferred tax increases in their stride; that by the time of the next election in 1996 or 1997, reductions equivalent to 2p or 3p off the basic rate of income tax will restore the Conservatives' tax-cutting credentials. Maybe.

In the meantime, what of Mr Lamont's future? He is 50 and has no inclination to move out of the world of politics he has inhabited for most of his adult life. He would be happy to stay at the Treasury indefinitely. If the prime minister decided he must move, then the only other job that would interest him would be the foreign office.

The chancellor has a case for staying on. His first Budget in 1991 dug the government out of Lady Thatcher's poll tax hole. His second helped win the general election. The ERM debacle cannot be pinned on him without implicating the prime minister. He has already jotted down his own account of the fateful sequence of events which led to Black Wednesday.

Mr Major volunteered that the chancellor had come up with the right Budget at the right time

The most common assessment at Westminster this week was that the Budget had probably enhanced his chances of remaining. Those long-awaited green shoots are showing signs of taking root. He has pre-empted many of the decisions which a successor might want to take in the first unified Budget in December.

The truth is that Mr Major has not made up his mind about cabinet reshuffles. He will do so only when he manages to set himself free from the political quagmire of the Maastricht treaty. Until then Mr Lamont, like the rest of us, will have to wait and see whether this week's Budget improves with age.

From left, hanging on at the BBC: Marmaduke Hussey and John Birt. Those who decided to go: Bob Horton at BP, Akio Tanii at Matsushita Electric, and John Akers at IBM

When the going gets tough . . .

Do the tough get going? John Willman on the art of resignation

To go, or not to go? That is the question raised anew by the controversy over the remuneration arrangements for Mr John Birt, director-general of the BBC. Both Mr Birt and Mr Marmaduke Hussey, chairman of the BBC board of governors, appear to have survived a chorus of calls for their heads in a manner which must inspire deep envy among others who have recently put their signatures at the bottom of resignation letters.

In the UK, the events of the past fortnight will lead to a further round of soul-searching over the apparent failure of public figures to resign no matter what has gone wrong.

Mr David Mellor, the arts minister who resigned last summer after an affair with an actress and revelations about a free holiday in Spain as the guest of the daughter of a senior figure within the PLO, might disagree with the common wisdom. So too might Mr Harvey Proctor, the Billericay MP forced to stand down in the 1987 general election after admitting charges of gross indecency.

However, both individuals came to grief over their private lives. Not since the departure in 1982 of Lord Carrington, the foreign secretary, and two junior colleagues following the unexpected invasion of the Falklands Islands by Argentina has any minister felt it necessary to resign because of policy failures.

So no one's head has rolled over sterling's ignominious departure from the exchange rate mechanism. Nor, yet, has anyone accepted responsibility for the events over the sale of arms to Iraq revealed by the Matrix-Churchill trial. The debacle over the pit closures has resulted in a sideways transfer of one senior civil servant, but the only people who have joined the unemployment register as a result are miners whose pits are to close.

The rarity with which top people in British public life resign is in sharp contrast to what goes on in industry. Lord King was last month forced into premature retirement from the chairmanship of British Airways to bring an end to continuing controversy over the airline's dirty tricks campaign against Virgin Atlantic.

Mr Bob Horton, chairman and chief executive of British Petroleum, was ousted in June, as profits fell. And last week Mr Christopher Heath, chairman of Baring Securities and once, reputedly, Britain's highest-paid executive, found himself unexpectedly spending more time with his family after a disagreement with the parent company's deputy chairman, Mr Andrew Tuckey.

Overall, 1992 saw some 25 British senior executives leaving their companies unexpectedly, usually under the pressure of poor corporate performance.

US business has also seen a series of high-level resignations, as investors have girded their loins to oust "imperial" chief executives who had previously appeared impregnable.

Last year, for example, Mr Robert Stempel resigned as chairman and chief executive of General Motors. This year, in one week in January alone, Mr John Akers stepped down as chief executive of IBM, Mr James Robinson left the same job at American Express, Mr Paul Lego went as chief executive of Westinghouse and PetroCanada's chief executive, Mr Wilbert Hopper, was "relieved of responsibilities".

In Japan, resignation of top executives has become almost ritualised, as a form of penance for companies in trouble.

In February, for example, Mr Akio Tanii resigned as president of Matsushita Electric, the world's largest consumer electronics group and owner of MCA, the US film studio. Mr Tanii said he was taking responsibility for the involvement of National Lease, a subsidiary, in a financial scandal that rocked Japan in the summer of 1991. "I felt it was important to clarify responsibility for certain unfortunate matters that occurred during my presidency," Mr Tanii said.

Japanese politicians also follow this practice, to the extent that the ruling Liberal Democrats were in danger of running out of candidates for top jobs after the recent spate of corruption scandals.

In Japan, resignation of top executives has become almost ritualised

Under the presidency of Mr Bill Clinton, resignation among US politicians could also become much more common if the precedent of the confirmation hearings is to be followed. Two female candidates for attorney general resigned before reaching first base at the Justice Department because they had employed illegal immigrants as babysitters.

Whatever the country or the job, there can be benefits in tendering a prompt resignation. Bob Horton, for example, has quickly found a new ship of industry to captain: he is chairman-designate of Railtrack, the state-owned body set up to run Britain's railway tracks after privatisation.

Lord Callaghan, Britain's last Labour prime minister, is probably the best advertisement for taking the blame quickly and publicly. He resigned as chancellor of the exchequer in 1967, immediately after Britain's Labour government was forced to break a manifesto promise and devalue the pound. Shifted sideways to the post of home secretary, he later became foreign secretary, before reaching Downing Street as the first prime minister this century to have held all three great offices of state.

But the BBC episode demonstrates that there is still plenty of scope for avoiding the big R in British public life. In that case, having a divided board has proved a great asset for Mr Birt and Mr Hussey. The failure of the BBC's directors to agree that they should go has been an important reason for their survival.

Another valuable security device is the possibility of collective guilt which implicates as many others as possible in the issue in question.

Mr Norman Lamont, the chancellor at the time of sterling's departure from the ERM, could rightly claim that his economic policy had been endorsed by the cabinet in general and the prime minister in particular. If he went, they went, the argument ran. Unsurprisingly, he stayed.

Greater openness of government may encourage increased use of this stratagem. The publication of membership of cabinet committees makes it much clearer that responsibilities for bad political decisions is usually shared by several ministers.

If all else fails, resignation can often be deferred until everyone has calmed down by setting up an inquiry. The inquiry set up into the arms for the Iraq affair is a case in point. Lord Justice Scott can be expected to apply his noted forensic skills to the inquiry, but his report will appear nine months or more after the events in question. By then, nobody is likely to feel the need to resign.

The clear message, in the UK at least, is that people in public life can rarely be forced out if they keep their heads and the backing of the people who appoint them. If these conditions are met, premature departure can be avoided. Even when the press and media are in full pursuit – as in the case of the BBC and Mr Hussey – it is possible to frustrate the pack.

Peter Bruce visits Andorra, Europe's newest sovereign state

The mouse that roared

"Come back in a few months," says Mr Xavier Espot, Andorra's minister for tourism and sport, rubbing his hands. "This is going to be very interesting."

Last Sunday, Andorrans, perched high up in their tiny Pyrenean principality between Spain and France, voted overwhelmingly in a referendum to grant themselves their first constitution and to end more than 700 years of feudal rule from "down below" as they call their neighbours.

As far as its people are concerned, Andorra has just become Europe's newest sovereign state. "Now we'll get to see what its like being a real democracy," says Mr Espot.

There is excitement everywhere. In the next few weeks President Francois Mitterrand of France and the Bishop of Urgell in Catalonia, Joan Marti Alanis, will sign the new constitution into law, transferring sovereignty to Andorrans. "Things are going to begin to happen really quickly around here," says Mr Candi Naudi i Mora, a former minister and the country's biggest property developer.

Until recently, Andorrans have been slow to seek change. Since the 13th century the principality has been ruled jointly by the bishops of Urgell in Spain and the French counts of Foix. The Foix title passed to the crown of France in the 15th century and successive French heads of state.

These "co-princes" have enjoyed complete power in Andorra – over commerce, immigration and security. And for centuries Andorrans have wanted it that way.

Even now, in voting sovereignty to themselves, Andorrans have made the co-princes a single constitutional monarch, obliged to sign laws and to be consulted only on foreign policy affairs that directly affect France and Spain.

Slow political development has contrasted with an increased pace of economic change. In the past 30 years Andorra has been transformed from a subsistence economy into a modern tourist mecca. Its towns are lined with expensive duty free goods. Visitors shop and ski. And the 60,000 or so locals have one of Europe's highest standards of living. The country is pretty and clean. There is practically no crime and no prostitution.

Andorrans pay no taxes, get free education in schools financed by France and Spain and get cheap health care. The local government has until now raised more than 95 per cent of its revenue by charging a small import duty.

No one knows what inflation might be. "We don't have a consumer price index," says Mr Naudi. And per capita income? "Enormous," says the minister for tourism.

Economic development has prompted increasing demands for self-determination which has brought the people of Andorra into a series of disputes with the co-princes. In 1982 an Andorran assembly was established with the agreement of the princes.

The most serious dispute has occurred over an expropriation law passed unanimously by the assembly in 1985 but which has never been approved by the co-princes.

The law would probably cut the price that the government has to pay to buy land from property-owners – many of whom have benefitted from the old system. Under the new constitution, the co-princes will have to sign the law.

The See of Urgell is the big loser from Andorra's new independence. The Bishop, once so influential that he could determine the credit policies of Andorran banks, failed to make catholicism a state religion in the new constitution and had to fight hard to prevent abortion being legalised. But, under pressure from the Spanish government of Mr Felipe Gonzalez, the See has been forced to accept a reduction of its power.

Andorran officials say there is no resentment behind their move to independence. "We just want to be able to do things," says Mr Espot. "The institutions of the old system were incapable of dealing with modern problems."

For a start, the Andorrans want to establish themselves as an offshore financial centre. "We pay no tax but we can't even be a tax haven because we don't have the appropriate laws," says a local lawyer. More importantly, the government wants to scrap legislation banning foreign companies from Andorra.

Officials say they must change such laws to find new sources of income. Freedom from feudal rule is going to be expensive. Between 1989 and last year public spending rose nearly 50 per cent to Pta20.4bn (£118m) mainly to fund new schools. To finance a growing budget deficit the Andorrans need to create more economic activity – by changing company law and opening up to foreign investors – and then find ways to tax the new sources of wealth.

"We will never have a direct tax here," says Mr Naudi, but there is broad agreement that indirect taxes will have to be introduced, perhaps even a value added tax.

Andorrans fear new taxes just as they fear that continued economic growth will fuel immigration. Resident foreigners already outnumber locals by more than three to one – more than half the population is Spanish. The authorities, seeking to create a stronger sense of national identity, have decided to create more Andorrans. Anyone who has spent more than 30 years in the country or who was born there before 1975 is now eligible for citizenship.

This may not seem very generous, but few foreigners are complaining. "I have another 10 years to wait," says a Basque, resident here for the past two decades." He will happily give up his Spanish passport when the time comes. "It's a strange, conservative, place. Everybody, especially the police, knows your business but it's a good price to pay for total security in a civilised country."

Before the horse has bolted

The Budget has given racehorse owners a boost, says Jane Fuller

Drive into Newmarket and there is no doubting that this is a town built for horses. Signs point to the National Stud, the National Horseracing Museum and the equine virology unit. They also warn: "Racehorses for five miles."

The warning may seem odd as visitors take in the beauty of hundreds of the finest horses streaming up Warren hill early on a spring morning. Then a horse shies and leaps, and the hazards become apparent.

A more appropriate warning sign before Tuesday's Budget might have read: "VAT 17.5 per cent." Since Tuesday, however, the shadow has been lifted; horse owners can now register for value-added tax and claim back the payments. The measure applies specifically to racing and no other area of horse ownership.

The benefits will be considerable: for every £10,000 spent on a yearling, nearly £2,000 more is paid in tax; every £1,000 monthly training bill includes about £150 in VAT; every £300 vet's bill has more than £50 added for taxes.

Besides the VAT burden Newmarket has suffered from recession and the UK's relatively low prize money, which provides insufficient compensation to cover high costs. About 400 of the town's 3,000 stables are empty, about a dozen yards are for sale, staff have been laid off.

On top of all this, Tattersalls, the leading bloodstock auction house, had decided to move its most prestigious yearling sale to the Republic of Ireland, where VAT is only 2.5 per cent. In France, VAT is 5.5 per cent. After the Budget measures, Tattersalls is likely to reverse its decision.

One of the reasons behind its thinking was that the principal buyers, the Maktoum brothers of Dubai's ruling family, did not buy at last autumn's sale. Instead, they bought in Ireland and in France, and VAT was one of the reasons for the switch.

Another ominous development was that Darley Stud Management, which looks after two of the Maktoum brothers' interests, allocated 20 per cent fewer yearlings to UK trainers than it had at the end of 1991. France and the US were the main beneficiaries. About half Darley Stud's 750 horses in training internationally are based at Newmarket.

The implications were bad for every aspect of British racing. "Thoroughbred breeders were losing custom and bloodstock prices were falling. Trainers froze or cut their fees to try to keep the smaller owners as the big ones switched horses overseas.

Service providers, such as vets, blacksmiths and horse transporters, were suffering too. And the knock-on effects in a place such as Newmarket extended to hotels, restaurants and even the gentlemen's outfitters, which thrive on the 50 days a year of racing and sales.

Many in the racing lobby

believed that 30,000 jobs were at risk. But now, the same people would have you believe that the chancellor has saved British racing.

Mr Geoffrey Wragg, one of the 65 trainers based in Newmarket, said the VAT relief meant that "for every six horses you have in training you can get one trained free".

Mr Pip Payne, said: "It's a great time to be a racehorse owner. The horses are cheaper, the training is cheaper, there is more racing and more prize money. The industry now has to market itself and generate more owners."

At Mr Alex Scott's yard, where the modern brick buildings have double-glazed windows and the equine pool is heated, more than half the 75 horses belong to Sheikh Maktoum Al Maktoum, who has yet to reduce his UK string significantly. It is now less likely that he will. But the Americans have gone, partly because "there was nearly 20 per cent extra on the costs in England from VAT".

VAT was not the only reason. Lack of big prizes loomed just as large. As Mr Michael Goodbody, who manages the Sheikh's Gainsborough Stud, says: "First prize in a maiden race in the UK might be £4,000, in Paris £8,000 and in the US $30,000 (£21,000).

The VAT concession tackles the high cost of UK racing, saving perhaps £20m-£25m of the £150m estimated losses incurred yearly by owners. But it does nothing to tackle the low income side of the equation represented by low prizes.

Complaints about the small proportion of betting income that is diverted into racing are just as loud as the erstwhile clamour over VAT. But although the cheering was loud on the VAT victory, a few questions are being raised.

The main one is: will all owners benefit? The answer is that they can all register for VAT. But there are a few hurdles.

According to the memorandum of understanding agreed between Customs and Excise and the industry, owners must "seek" sponsorship, appearance money and prize money.

Owners obviously seek the latter – although race courses will now pay VAT on the £40m total prize money involved, which they in turn will claim back. The other two requirements will change racing's traditions, bringing in a degree of commercialism that might raise a few eyebrows among the old guard.

However, the Jockey Club, racing's ruling body, says concessions must be made. Mr David Pipe, director of public affairs, said the ban on advertising in the parade ring would be lifted. Horses will soon sport logos on their rugs and saddle cloths. Jockeys will probably carry them on their boots and breeches, not on their silks.

Appearance money is also a new development. But who will pay for it? Most of the UK's 59 race courses are not profitable. That leaves the race sponsors or, perhaps, the betting industry.

For Customs and Excise, sponsorship and appearance money will attract VAT, offsetting the tax claimed back by racehorse owners on their expenses.

An indication that the new VAT scheme is not supposed to be a one-way traffic of tax rebates for the industry with no offsetting receipts comes in the following extract from the memorandum: "Customs will review the operation of the scheme . . . during its fourth year to assess whether the levels of income available to the industry . . . warrant the scheme's continuing operation."

The message is that if owners want to keep the VAT concession they will have to start treating their hobby as a business.

More broadly, the industry has to help itself in finding a solution to its "under-funding" by competing with other leisure activities for sponsorship, participants and spectators.

A lot can change in four years in racing. One of those welcoming the VAT change was the head lad of Mr Michael Stoute's stable. He was sitting on a four-year-old that cost £760,000 as a yearling. But the horse didn't make the grade on the racecourse and has recently been gelded.

That is exactly what could happen to the VAT scheme if owners sit back and neglect the commercial requirements imposed by Customs and Excise.

Charities only in name

From Mr Peter Reeves.

Sir, Your article on Britain's Top 50 charities ("Fears grow for charities as cash crisis worsens", March 15) might usefully have highlighted two oddities apparent from the information presented.

The first is the unusually high ratio of funds to expenditure: most charities could support present spending levels for years ahead despite even a sharp fall in current income.

The second is the extension of charitable status to organisations which trade in every important respect like commercial companies but are conveniently exempt from the comparable tax burden. In no meaningful way are they directed towards helping disadvantaged members of society without due financial recompense.

Such organisations warrant a separate description to distinguish them clearly from those whose activities reflect truly charitable intentions.

Peter Reeves,
"The Brambles",
23 Hammy Close,
Shoreham-by-Sea,
West Sussex BN43 6BL

Lesson not learned on stocks

From Mr A C Haken.

Sir, Your report, "More heavy job cuts expected soon at Daf" (March 16), of impending further job losses at Leyland Daf mentions the unacceptably high stock levels found by the receivers. Sophisticated organisations in both manufacturing and retailing sectors learned long ago the importance of obliging their suppliers to make deliveries "just in time". That Leyland Daf's management appears to have failed in this respect is a sad comment on its competence and justification for complaint by the workforce. It would be interesting to know what over-stocking arose from the import of components from the parent company and its overseas subsidiaries.

Anthony Haken,
Bay Cottage,
31 Lower Street,
Horning, Norfolk NR1 8AA

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Widely differing views on long-term effect of Budget measures on cost of pensions

From H R Wynne-Griffith.

Sir, The changes to advance corporation tax put forward in the Budget will have an effect on the return on equities. This has implications for pension funds as has been pointed out by Lex ("UK equities", March 17).

It is important that this effect is not overblown: the income yield on equities will fall from 4 per cent to 3.75 per cent as a result of the reduced amount of tax that will be recoverable from the Inland Revenue. However, this reduction in yield represents probably no more than 0.1 per cent or 0.2 per cent of a typical pension fund.

The difference between the performance of a good investment manager and one that is not so good is often very substantially more than this and I doubt very much that actuaries will advise any significant change to be made to pension fund contributions as a result of such a small change.

Indeed one would hope to see the effect of increased cash flows and the general recovery in the economy producing investment returns which would amply justify a continued investment in equities as against bonds.

One can only hope that dealers in markets as a whole will take a similarly long-term view of the attraction of equities.

H R Wynne-Griffith,
Barnett Waddington & Co,
consulting actuaries,
11 Tufton Street,
London SW1P 3QB

From Mr A S Cairns.

Sir, The reduction in the tax credit on UK dividends paid to pension funds is one of the most significant proposals in this year's Budget. The chancellor has, at a stroke, effectively reduced the value of pension fund assets in the UK. This has serious consequences:

- Companies which operate "final salary" pension funds will have to pay higher contributions in the future, unless they cut back on benefits or their employees pay more.
- individuals with personal pensions will also have to pay more or accept lower pensions in the future.

The Budget proposal should therefore concern a very large proportion of the population but, unless it receives wider coverage in the media, it is unlikely to lose the government many votes at the next election. Indeed the public's ignorance of this issue may lead the chancellor and his advisers to conclude that pensions are a "soft touch" for further tax in the future.

However, before imposing further tax on pension funds the government should bear in mind that:

- tax incentives are needed to persuade the public to tie up their money in pension schemes (money invested in pension schemes cannot be withdrawn until retirement);
- unless the public makes adequate private pension provision, the government's aim of reducing dependence on the state will not succeed.

Tony Cairns,
Bacon & Woodrow,
actuaries and consultants,
Parkside House,
Ashley Road,
Epsom,
Surrey KT18 5BS

BT reckons rates are low

From Mr Michael Hepher.

Sir, National Utility Services' simplistic method of comparing local telephone call prices means that like is not compared with like ("BT rates for local calls 'high'", March 17).

For a start, the NUS survey excludes cheap-rate local calls which are of most benefit to our residential customers and where BT's charges are among the lowest in the world. The survey also selects a call of three minutes. Like BT, many countries charge in fixed meter steps. Particularly for local calls, the size of the step varies greatly between countries, so choice of call duration can give different results.

More important, the survey ignores the size of the local call area. BT's local call areas are among the largest in the world, including, for instance, the whole of London. Many of the calls that BT's customers make at local call rates would be priced at higher long distance rates in other countries.

You also say that BT's line rental is high at £10.28 a month. We do not know how NUS derived this figure. The quarterly line rental for BT's 19m residential customers is £19.54 and for its 7m business customers £31.65, equivalent to a monthly rate of £6.52 and £10.55 respectively.

Michael Hepher,
group managing director,
BT,
81 Newgate Street,
London EC1A 7AJ

No age discrimination in US

From Mr Jeremy Putley.

Sir, I was interested in your story "Jobseekers 'past it at 45'" (March 15). Your readers aged over 45 might be interested in the age breakdown of the unemployed in the US, where those aged 45 to 64 experience only two-thirds the national average unemployment rate. Possibly a similar distribution would now exist in the UK, had there been a law against discrimination for the last 25 years, as in the US.

Jeremy J Putley,
131 Purchase Street,
Rye, New York 10580

TV-am fades out with a bumper £20m profit

By Gary Mead, Marketing Correspondent

TV-AM enjoyed bumper profits last year as it wound down its breakfast television operations after losing the franchise and ceasing broadcasting on New Year's Eve.

Pre-tax profits of £20.16m, against £12.5m for the preceding 11 months, reflected a fall in staffing levels to 130 people through most of the year compared with a peak of 400 and a 10 per cent increase in turnover to £87m. Operating costs fell 17.7 per cent to £49.5m.

The company, which first started broadcasting on February 1 1983, lost its franchise to GMTV, having bid £14m to renew its licence against GMTV's £34.5m.

It attacked again yesterday the bidding system, saying "the loss of our licence was the result of one of the most deeply flawed Acts of Parliament ever to reach the statute book."

Mr Bruce Gyngell, chairman, said: "The Broadcasting Act of 1990 was not only a bad act but it was also totally inhuman. In effect, for fourteen months our staff had the sword of Damocles hanging over their heads."

Having failed to find other investments in television which would maintain the same return on investment for its shareholders, the company continued its liquidation by declaring a final dividend of 20p, making a total of 64p (14p) for the year.

At the interim stage the company announced a 4p dividend and at Christmas announced a further 40p interim dividend. Total dividends paid since the company was floated in 1986 amount to 119.35p per share on a purchase price of 65p per share.

TV-am recently joined up with Virgin Communications to launch Virgin Radio, a national commercial radio station which goes on air on April 30.

However, it has sold its 50 per cent stake back to Virgin and has also disposed of a 17 per cent stake in the Metro Radio Group.

TV-am will have finally disposed of all fixed assets by the end of March, and is holding about £6m cash in reserve against outstanding property rents.

Molins' shares rise on 29% advance

By Peggy Hollinger

SHARES in Molins outperformed the stock market yesterday with a 19p jump to 479p as the tobacco machinery and packaging group announced a 29 per cent rise in pre-tax profits from £14.2m to £18.3m for 1992.

Mr Michael Orr, chairman, said the company had achieved the improved profits through increased penetration of international markets and cost reductions.

The company has adopted the FRS 3 accounting standard. The reported pre-tax profits for 1991 were £15.5m.

A 17 per cent rise in sales to £181m (£155m) was the result of both volume increases and gains on currency transactions.

Mr Orr was bullish about prospects for the current year, saying further progress would be made. "We like making money as well as machinery," he said, "and the outlook for Molins is really quite good."

The total dividend was increased by 10 per cent to 14p (12.75) after a lower proposed final of 9.5p (9.75p). Earnings improved from 33.1p to 41.9p.

The tobacco machinery division achieved the best performance. Operating profits rose 28 per cent to £18.6m due to an improvement in overall margins, substantial cost-cutting and strong advances in China and Brazil. The important US market continued to be depressed, however.

Packaging machinery recorded a £100,000 rise in operating profits to £3.1m on sales 22 per cent up at £63.8m. The division, heavily dependent on the US market, suffered a decline in margins from an average 6 per cent to about 5 per cent.

The group aimed to improve these margins and, in the longer term, to diversify into packaging for the food and pharmaceuticals industries.

The group expects to receive a £10m repayment from the pension surplus. Agreement had been reached with trustees to share the surplus between the company and the fund's members. The members have to approve the plan.

David Lloyd's 30p advantage

David Lloyd Leisure, the tennis and fitness chain run by the former Davis Cup player, began trading on the Stock Exchange yesterday and closed up 30p at 180p.

The shares, which were almost seven times over-subscribed, were priced at 150p each.

Dedicated followers of fashion

Philip Coggan assesses the growing popularity of emerging markets

THE investment industry is always prone to fashion. With three investment trusts currently attempting to raise money to invest in emerging markets, it is clear what is the fashion of the moment.

There is no precise definition of what constitutes an emerging market but the general idea is that they can be found in developing countries, which are either converting to capitalism or significantly liberalising their financial systems.

Templeton, one of the management groups which specialises in the area, says that more than 75 per cent of the world's population lives in such countries.

Countries in south east Asia, Latin America and parts of southern Europe are obvious candidates. Robert Fleming, which manages the Fleming Emerging Markets Investment Trust, breaks countries down into three categories: emerging, incubating and dormant.

The first includes countries such as Argentina, Korea and Venezuela and consists of markets which Fleming will consider backing at the moment. Incubating markets are ones which might be interesting in the future, such as Cyprus, Egypt or Zimbabwe. Dormant markets cover nations such as Cuba and Tunisia, which could be interesting if policies changed.

The primary reason for emerging markets being so enticing is the expectation of higher economic growth. The World Bank predicts 3.6 per cent per annum in the 1990s, compared with 2.1 per cent for industrialised countries.

The reasons for their faster growth include improving literacy rates, creating both a more educated workforce and a downward pressure on the birth rate.

In the long run, this economic growth should feed through, via higher corporate profits, into better stock market returns. That, argues Fleming, was the experience of the 1980s, as Taiwan, Thailand and south Korea enjoyed growth of more than 8 per cent in gross domestic product and more than 15 per cent in stock market returns.

A further factor is economic liberalisation. Examples include the opening up of eastern Europe, the prospect of a free trade grouping including the US and Mexico, and the easing of restrictions on overseas investments in countries such as Taiwan and Brazil. In most emerging markets, stock markets constitute a much smaller percentage of GDP than in developed countries.

The very nature of these countries' underdevelopment makes them risky. Stock markets are illiquid with the bulk of a market's capitalisation centred on a few stocks. Accounting practices may not conform to the standards of the industrialised world. Political regimes are often unstable and economies prone to problems such as hyperinflation.

The result can be enormous volatility. Turkey fell by more than 40 per cent in 1992, while Peru was up by 120 per cent.

But enthusiasts see these risks as opportunities. For a start, they say that underdeveloped markets are inefficient and create more scope for seeking undervalued stocks than the much-monitored exchanges of London and Wall Street.

Furthermore, the very difficulty of investing in these markets is a reason for both institutions and private investors to use the specialist services of a fund manager, such as the three currently trying to raise finance: Fleming, Genesis (via an offshore-based fund) and Templeton.

In addition, the enthusiasts argue that emerging markets have very low correlation with each other or with the main stock markets. Thus a diversified fund can offer a significant reduction in risk.

Cynics would argue, however, that whenever a fashion appears, it must be the top of the market.

The five investment trusts in the field with a two year record produced an average return of 80.3 per cent over the two years to March 1 (mid-market to mid-market with net income reinvested). That was the best performance of any investment trust sector over the period.

But despite these increases, both Templeton and Fleming argue that valuations in many markets are still attractive and trade on price/earnings ratios lower than those in the US, UK and Japanese markets.

Furthermore, it is argued that these markets are being neglected by large investors at the moment. Fleming quotes figures from the World Bank showing that foreign institutional investment, as a percentage of total assets, was only 0.2 per cent at the end of 1989.

Even though that is forecast to grow to 0.5 per cent by the year 2000, it may still represent a substantially underweight position. Mr Mark Mobius, investment manager at Templeton Emerging, points out that the emerging stock markets have a capitalisation greater than that of the French and German markets combined.

The limited number of funds in this area has created the scope for the managers to raise new money. The Fleming and Templeton funds have frequently been able to trade at premiums to net asset values, a sign that demand for shares exceeds supply.

Fleming is seeking to raise about £50m in total, having conditionally placed £37m of stock already. Templeton is looking for more than £20m. The Genesis details are yet to be confirmed.

It seems that emerging markets are emerging from a backwater into the mainstream of investment.

Costain shares rise on coal sale agreement with Hanson

By Andrew Taylor, Construction Correspondent

THE SHARE price of Costain, the heavily-borrowed construction and mining group, rose by more than a tenth yesterday following an out-of-court settlement with Peabody, a Hanson subsidiary, over the sale of Costain's Australian coal mining businesses.

Costain originally accepted a bid from Peabody for the businesses last October. Shortly afterwards it accepted a higher offer from Altus Finance, a subsidiary of Credit Lyonnais, the French bank, for the Australian coal mines and its Australian property interests

Peabody subsequently obtained an injunction in the US courts preventing the sale to Altus.

The settlement with Peabody, announced late on Thursday night, is in line with the original deal reached last October. It involves the Hanson subsidiary paying Costain $200m (£135m) plus a net asset adjustment of $34m which is subject to a final audit. Peabody will also take on borrowings of A$85m (£41m) owed by the Australian coal mining operations.

Altus, which has agreed the terms of the out-of-court settlement, is expected to receive just under $2m in compensation from Costain and Peabody with the latter paying the higher share. All other claims for damages and legal costs will be dropped by the three companies.

The French subsidiary had previously agreed to acquire the Australian coal mines and properties for $245m plus an additional figure to take account of any rise in the company's net asset value.

Costain's share price yesterday rose 4p to 35p following the removal of uncertainty over the sale.

The company's gearing, even after the disposal, is likely to remain just over 80 per cent. Costain, which last December negotiated a three-year loan facility, will now need to get approval from bankers and shareholders for the sale to Peabody.

See Lex

British-Borneo Petroleum surges by 73% to £7.8m

By Hugh Carnegy

BRITISH-BORNEO Petroleum Syndicate yesterday joined the chorus of concern from oil and gas explorers about the tax changes for the sector announced in Tuesday's Budget.

Reporting a 73 per cent surge in pre-tax profits to £7.81m in the year to December 31, compared with £4.52m, the company said it would have to carry out a strategic rethink of its plans to expand significantly its activities in the North Sea.

The proposals would stop companies offsetting exploration and appraisal costs against income from fields which incur Petroleum Revenue Tax, leaving them paying a net 64p for every £1 spent instead of 17p under present rules.

Mr Alan Gaynor, managing director, said British-Borneo would almost certainly slow down exploration in the North Sea. He called for clarification of the government's intention to allow a two-year extension of PRT relief on existing contracts. It was not clear whether four wells British-Borneo had obligations to drill but on which work had not yet begun would qualify, he said.

Revenues from oil and gas were up almost four times at £17.9m (£3.7m), outstripping for the first time revenue from the investment portfolio.

Mr Gaynor said there was strong growth potential in the Gulf of Mexico, particularly in gas. He announced British-Borneo's first move into direct operating, through an operating consortium in the Gulf of Mexico with American Cometra, a subsidiary of Electrofina, and Ranger Oil of Canada.

Earnings per share were down at 16.93p (19.95p), while the proposed final dividend is 4.433p, making an unchanged total for the year of 7.1p.

Trevor Humphries

Shares rise despite 30% drop for Hornby

By Catharina Milton

TRADITIONAL toys fought a rearguard action last Christmas against their high-tech rivals like gameboy and his ilk, Hornby, the games, trains and boat maker, said yesterday as it reported a 30 per cent drop in pre-tax profits for the year.

Buoyed by the relatively optimistic outcome of £1.45m (£2.09m) in the face of such competition, the shares closed up 21p at 164p.

The group said the results were satisfactory given the competing disadvantages of last year's craze for computer games and consumers' reluctance to spend until a month before Christmas.

Turnover declined to £31.3m (£32m) and operating expenses were inflated by the launch of the new Cassy doll which led to costs "approaching £500,000".

Net interest costs were higher at £364,000 compared with £199,000.

The board proposes a maintained dividend of 9p, payable from lower earnings per share of 11.5p (15.4p).

Mr Jack Strowger, above, group chairman, announced his intention to retire at the next annual general meeting after 12 years in the post. He is 77. He will be succeeded by Mr Malcolm Thomas, the deputy chairman.

The company's shares trade on the USM.

Spring Ram faces further questions on profits fall

By Jane Fuller

DESPITE a 10p recovery in its share price to 73p yesterday, Spring Ram, the kitchens and bathrooms company, still faces some searching questions from analysts and institutional shareholders when it announces a substantial profits fall on Monday.

Although it released an explanation on Thursday as to why 1992 pre-tax profit, at about £26m, would be £13m less than expected, analysts say the announcement raised many questions.

The most important is the reason for £5.6m of profit being pushed back into 1993. As it seems this is not connected with the exceptional gain taken on selling spare AGT capacity, the questions centre on the more regular trading activities. For instance, do the contracts concerned relate to sale and return arrangements with customers or to stock being held for customers on Spring Ram sites?

The company pointed to Fred 4, a financial reporting exposure draft, as the cause of the changed timing on the £5.6m profit. The draft rules introduce tough requirements on the treatment of many devices used to conceal liabilities or inflate profits.

A second area of questioning concerns the light that different accounting treatments throws on the group's previous profits record. The reported figures showed rapid growth from £1m in 1982 to £36.2m in 1991, and high operating margins, which were 17 per cent in 1991.

According to Thursday's statement, the 1991 pre-tax profit has been revised downwards by £1.4m to take account of FRS 3 and a more conservative depreciation policy.

Anglia TV ahead as share of advertising revenue rises

By Gary Mead, Marketing Correspondent

ANGLIA Television increased pre-tax profits to £14.55m for 1992 but held the dividend at 9.26p with an unchanged final of 6.4p. Profits for the previous 14 months were £8.38m.

Turnover amounted to £140m (£153m) with advertising revenue at £113m (£127m) and programme sales at £23m (£22m).

The results were reported under accounting standard FRS 3 with figures for the preceding 14 months restated.

Anglia cut expenditure on acquiring programmes in 1992 to £37.24m (£40.87m). Operating profits were £12.41m (£4m).

Sir Peter Gibbings, chairman, drew attention to Anglia's increased share of the commercial television network's net advertising revenue, which at 7 per cent in 1992 was 0.3 per cent improved on 1991, the ninth consecutive year of increased share.

Anglia ended 1992 with a strong balance sheet, including £26.46m cash. However, the group was cautious as to the immediate outlook; cuts of 25 per cent in real terms have been made in operating costs since 1990 with staff levels now at 593 against 800 in 1990.

In the light of its greater share of net advertising revenue, analysts are revising upwards their forecast pre-tax profits for 1993, to about £5.5m.

ASB alters tax rules for debt repurchase

By Richard Lapper

NEW RULES on the tax treatment to be adopted when a company repurchases its own debt were issued yesterday by the Accounting Standards Board.

The change prompted Scottish Power to announce a net charge of £10.4m in its most recent set of accounts.

Scottish Power was one of a number of utility companies to repurchase a block of its own debt last November, paying a premium to benefit from falling interest rates.

The rules contained in an ASB abstract follow work by the Urgent Issues Task Force, a unit designed to clamp down quickly on ambiguities or abuses in existing standards.

They require any premium or discount incurred in repurchase of debt to be written off in the year in which it is incurred, rather than amortising any premium or discount over the period of the original life of the debt.

The only exceptions are when replacement borrowing gives the same economic result as the original borrowing and there has been no change of substance in the debt.

Companies are not required to implement the changes until accounting years ending on or after June 22 1993, but Scottish Power opted to take the charge in its 1992-93 accounts.

The company repurchased £142m of government debt in November 1992. There was a "significant cost saving for the company in using cash to replace expensive, long term debt bearing interest at 11.856 per cent per year," explained Mr Duncan Whyte, finance director. The benefit is expected to show in the profit and loss account in the period to 2005. The company said if the base rate stayed at 6 per cent, annual benefits would exceed £5m.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	½	½	Anglo Utd Warrants	½		–	–	–	–
150	F.P.	–	181	153	David Lloyd Leis	180		b1.95	4.8	1.4	17.4
100	F.P.	–	103	98	For & Col US Smlr Co's	103		–	–	–	–
–	F.P.	–	44	36	Do Warrants	41		–	–	–	–
51	F.P.	–	82	52	Intl Food Machinery	82	+4	–	–	–	–
§210	F.P.	–	280	262	Motor World	278		R6.3	2.5	3.0	17.3
100	F.P.	–	100	96½	Pilot Inv. Trust	96½		–	–	–	–
–	F.P.	–	28	21	Do Warrants	27		–	–	–	–
100	F.P.	–	105	102	Schroder Split Fd Inc	103		M6.75	–	8.7	–
20	F.P.	–	21	19	Do Cap	21		–	–	–	–
100	F.P.	–	101½	99	Do. Zero Div Pf	101½	+½	–	–	–	–
25	F.P.	–	26¼	25½	Warrants & Value Tst	25¼		–	–	–	–
110	F.P.	–	141	130	Yorkshire Food	130		W2.88	2.6	2.9	15.4

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
-	F.P.	-	117½p	102¼p	Airtours 6¾p (Net) Cv. Pf. (ex-div)	115p	
100p	F.P.	-	122¼p	115¼p	Bristol Water 8¾pc Pf.	117p	+¼
100p	F.P.	-	112¼p	105¼p	Commercial Union 8¾pc Cnv. Pf.	108½p	
100	F.P.	-	114¼	106½	NFC 7¼pc Cv. Bd. 2007	108	+1½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
295	Nil	22/4	68pm	44pm	Berkeley	68pm	+12
405	Nil	23/4	71pm	62pm	British Polythene	71pm	
170	Nil	16/4	20pm	10½pm	Cookson	19½pm	+7½
28	Nil	7/4	24pm	15pm	♯Cupid	15pm	
239	Nil	21/4	41pm	40pm	Gold Greenlees Trott	40pm	
17	Nil	7/4	11pm	6pm	Lopex	6pm	
95	Nil	23/4	40pm	22pm	Vickers	33pm	-4
45	Nil	23/4	12pm	6pm	WPP	8pm	+2

b Figures based on prospectus estimates. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1993-94. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ♯ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ψ Units comprising 1 ord. and 1 zero pref. share.

TRADITIONAL OPTIONS

- First Dealings March 8
- Last Dealings March 19
- Last Declarations June 17
- For settlement June 28

3-month call rate indications are shown on page 9.

Calls in Arcon Res. Intl., Avesco, T. Cowie, Ferranti, Hall Eng., Hanson warrants, Hartstone, HTV, Queens Moat Hses., Rentokil, Spring Ram and Wembley. Doubles in Amstrad, Spring Ram and Telametrix.

Haden MacLellan gains from accounting changes

By Catherine Milton

HADEN MACLELLAN Holdings, the industrial conglomerate, said yesterday that new accounting rules were largely responsible for a 16 per cent rise in pre-tax profits to £4.3m for the year to December 31.

The group, which reorganised its management last year following losses on its US operations, said operating profits – £7.4m, against £15.4m – were a better performance indicator. Operating losses on US operations fell to £2.8m (£1.8m).

The final dividend is being cut to 1p (5p) making a 2p (8p) total. Earnings per share emerged at 2.6p against restated losses of 1.1p. Group turnover from continuing activities declined from £319.9m to £276m.

Operating profits on property and discontinued operations more than halved to £6.6m (£15m). On process engineering and services they declined to £2.6m (£8.1m) and on manufacturing and distribution they fell to £4m (£5.5m).

The group adopted FRS 3, the new accounting standard, which means one-off gains and losses will normally be reflected in pre-tax profits.

Under this formula figures for 1991 have been restated to take account of an £11.4m charge, including £8m in restated goodwill.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres- ponding dividend	Total for year	Total last year
Anglia TV	fin	6.4	May 21	6.4	9.26	9.26☆
Arcolectric	fin	0.555	May 18	0.58	1.11	1.11
British-Borneo	fin	4.433	May 24	4.433	7.1	7.1
Fortnum & Mason	int	86‡	June 30	86	-	98
Gardiner Group	fin	0.19	May 13	0.83	0.66	1.3
Global §	fin	0.3	May 26	0.3	0.5	0.5
Haden MacLellan	fin	1	July 1	5	2	8
Hornby §	fin	9	May 19	9	9	10
IoM Steam	fin	7	May 17	7	10	10
Molins	fin	9.5	May 25	9.75	14	12.75
Perry	fin	3.25	July 2	8.25	8	9
Trace Computers	fin	0.55	May 14	0.55	-	1.45

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆For 14 months. ‡For 28 weeks.

Weak demand blamed for Fortnum & Mason setback

By Tim Burt

WEAK retail demand was yesterday blamed for a £294,000 fall in interim pre-tax profits at Fortnum & Mason, the Piccadilly department store.

Fortnum said lower profits of £1.51m for the 28 weeks to January 23, down from £1.8m last time, were also due to repair and maintenance costs and advertising expenditure.

In spite of a slight increase in turnover, up £169,000 to £15.6m, Mr Gary Weston, chairman, said trading conditions remained gloomy.

The Piccadilly store saw sales decline 0.5 per cent although this was offset by improved exports. Overall, exports rose 13.7 per cent – with sales in the US more than doubled, France up by 49 per cent and Japan 28 per cent.

Earnings were 235p (279p) and the interim dividend was unchanged at 86p.

GPG's Brown Shipley stake goes over 30%

By Hugh Carnegy

GPG, the UK investment arm of Sir Ron Brierly, the New Zealand entrepreneur, yesterday informed the Stock Exchange its holding in Brown Shipley Holdings, had exceeded the 30 per cent mark which would oblige it to make a bid under the takeover code.

But the rise in the stake to 30.02 per cent in the investment business, which is under offer from Kredietbank Luxembourgeoise, was understood to have been made in error. GPG did not intend making a mandatory bid.

GPG said on Wednesday it was considering a full cash bid 5p higher than KBL's 30p offer. KBL has extended the deadline on its bid to next Thursday and is awaiting GPG's next move.

Evered acts to reduce borrowings

By Andrew Taylor, Construction Correspondent

EVERED BARDON, the UK building materials group, yesterday moved to reduce its large borrowings by selling a half share in part of its US operations.

The company is raising $34m (£24m), after all expenses, from the sale of a 50 per cent stake in its quarrying, concrete, blacktop and builders' merchants businesses in Arkansas and Indiana to CJ Langenfelder & Son, the US building materials group.

Langenfelder is paying $49m for its stake in the joint venture which it will manage. Payment will be made as to $42m in cash, $6m in five-year loan notes and $1m in other deferred payments.

The Indiana and Arkansas operations in the year to December 31 1991 made pre-tax profits of $4.8m.

The combined net asset value of the businesses on disposal was approximately $39m.

Evered will remain the sole owner of large aggregate reserves in the US, with consents to extract more than 900m tonnes in Massachusetts around Boston and in Maryland close to Washington DC.

It also owns large stone quarries in England and Scotland as well as a sea sand and gravel dredging business supplying the UK and continental Europe.

The company expanded rapidly following a series of acquisitions during the 1980s leaving it with large debts. The latest sale should take net borrowings below £300m. Even so gearing is likely to remain about 90 per cent.

The company, which had previously identified the Arkansas and Indiana businesses as candidates for disposals, recognises that it will be under pressure to reduce its borrowings further.

It will be reluctant, however, to make further sales involving what it regards as its core businesses. The sand and gravel dredging businesses is regarded by analysts as the most likely candidate for a sale if further disposals are required.

Evered Bardon cut its interim dividend from 1.935p to 0.8p after pre-tax profits fell from £10.3m to £4.6m during the half year ended June 31 1992.

The group, which blamed the recession in the UK and US construction markets, is expected to announce results for the whole of last year at the beginning of next month.

ECONOMIC DIARY

TOMORROW: French parliamentary elections.

MONDAY: Balance of trade with countries outside the European Community (February). European Community environment ministers meet in Brussels (until March 23). Foreign ministers from the Central European Initiative regional co-operation body meet in Budapest.

TUESDAY: Cross-border acquisitions and mergers (fourth quarter). General Agreement on Tariffs and Trade opens two-day council meeting of ruling council in Geneva. Mr Andrei Kozyrev, Russian foreign minister, meets Mr William Clinton, US president, in Washington in preparation for next month's Vancouver summit. Start of two-day Financial Times conference "The Food & Drink Industry" at the Hotel Inter-Continental in London. Preliminary results from Prudential Corporation and P&O Group.

WEDNESDAY: Institutional investment (fourth quarter). New construction orders (January-provisional). International banking statistics (fourth quarter). US durable goods (February). Barclays Bank unveils new initiatives to prevent card fraud. Preliminary figures from Kingfisher and Laamo.

THURSDAY: Energy trends (January). New vehicle registrations (February). US jobless claims. European Community foreign ministers from Denmark, Britain and Belgium meet Mr Boris Yeltsin, president of Russia, Mr Viktor Chernomyrdin, prime minister, and Mr Andrei Kozyrev, foreign minister, in Moscow. Confederation of British Industry makes statement on post-Budget economic forecasts.

FRIDAY: Confederation of British Industry publishes monthly trends enquiry (March). Engineering sales and orders at current end constant prices (January). US gross domestic product (final-fourth quarter). Mr William Clinton, US president, meets Mr Helmut Kohl, German chancellor, in Washington.

LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons	550	31	44	53	6½	26	34
(*573)	600	6	23	31	35	57	65
ASDA	67	10	13	17	2	4	5
(*75)	76	4	10	12½	1½	8	10
Brit. Airways	280	16	24	33	7	21	26
(*286)	300	7	16	24	18	32	17
SmKl Bchm A	420	27	43	51	7	21	27
(*438)	460	7	24	36	27	42	47
Boots	500	35	44	57	5	18	25
(*526)	550	6	21	31	28	46	51
B P	280	23	32	37	3	10	15
(*299)	300	9½	21	27	9	19	25
British Steel	80	11	15½	18	2	6	8½
(*87)	90	4½	9½	12	5½	11½	14
Bass	550	40	57	70	4	20	27
(*592)	600	11	29	43	30	45	54
C & Wire	700	36	56	72	9	31	38
(*724)	750	10	32	47	34	57	66
Courtaulds	550	36	51	63	6	22	30
(*578)	600	0½	26	39	30	50	57
Com Union	580	38	58	65	4	15	24
(*613)	629	9	31	41	26	37	47
Fisons	200	17	26	34	8	22	27
(*207)	220	7½	18	27	20	35	39
GKN	460	24	42	49	6	18	28
(*476)	500	5½	23	30	28	40	50
Grand Met.	460	15	34	43	11	24	32
(*462)	500	1½	17	27	42	51	56
I.C.I.	1200	60	105	117	15	44	68
(*1239)	1250	30	77	92	36	66	95
Kingfisher	535	17	30	42	12	31	35
(*541)	584	3½	15	22	50	64	69
Ladbroke	200	8½	17	27	18	21	27
(*204)	220	3	18	16	29	34	40
Land Secur	500	24	33	30	4	22	25
(*519)	550	3	0½	15	35	56	57
M & S	330	33	38	42	2	8½	12
(*359)	360	8	19	25	9½	21	25
Sainsbury	500	34	45	56	5	18	23
(*524)	550	5	21	32	29	44	49
Shell Trans	550	26	44	51	5	14	23
(*568)	600	3½	18	25	34	40	49
Storehouse	200	8	17	22	10	20	24
(*200)	220	3	10	15	23	34	37
Trafalgar	74	5	10	11½	5	9	11
(*75)	83	2	5½	7½	11	15	16
Utd Biscuits	390	22	32	43	8½	18	25
(*408)	420	6	18	27	27	36	40
Unilever	1200	27	59	82	25	45	50
(*1213)	1250	6	38	59	60	75	80

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero	280	26	36	50	24	34	44
(*280)	300	15	30	42	35	46	55
BAA	750	64	72	88	9	20	29
(*798)	800	32	43	57	25	42	52
BAT Inds	950	50	67	79	26	39	57
(*990)	1000	22	44	56	55	66	84
BTR	550	59	68	76	4	0	15
(*598)	600	21	35	43	18	25	33
Brit. Telecom	420	19	26	31	13	24	28
(*422)	460	4½	11	16	39	50	54
Cadbury Sch	460	31	44	53	10	16	23
(*478)	500	11	23	32	31	36	43
Eastern Elec	460	35	44	50	8½	22	27
(*481)	500	13	23	30	28	44	48
Guinness	460	20	32	43	23	11	38
(*462)	500	7	16	26	53	57	63
GEC	300	15	22	26	0½	17	19
(*305)	330	4½	7½	13	29	37	39
Hanson	220	23½	25½	30	2	6	9
(*238)	240	9	14	19	9	15	18½
LASMO	180	15	23	27	15	20	28
(*183)	200	7	15	20	28	32	40
Lucas Inds	140	18½	16	21	10	14	20
(*142)	160	4	9	15	24	27	33
P & O	550	51	60	67	16	30	41
(*594)	600	20	34	46	45	57	74
Pilkington	110	12	15	21	8	12	17
(*113)	120	7	12	16	14	19	21
Prudential	330	13	22	29	17	22	29
(*333)	360	4½	11	18	39	42	47
R T Z	650	37	55	68	21	33	43
(*660)	700	14	31	45	51	62	70
Scot. & New	460	25	36	42	11	25	30
(*468)	500	0	18	26	35	51	55
Tesco	240	14	19	24	11	17	22
(*243)	260	7	12	17	26	29	34
Thames Wtr	500	53	59	62	4	13	17
(*545)	550	18	26	32	20	36	40
Vodafone	390	27	36	46	15	24	31
(*397)	420	12	22	32	30	42	48

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Abbey Nat	360	19	33	40	1½	11	18
(*375)	390	2	17	26	16	25	32
Amstrad	35	1½	4½	6½	1½	4	5
(*35)	48	1	1	5	6	7½	9
Barclays	420	10	32	42	5½	23	32
(*425)	460	1	16	23	39	48	58
Blue Circle	220	7	17	28	4	18	24
(*224)	240	1½	18	17	18	32	37
British Gas	280	18	24	27	1	8	12
(*297)	300	3½	11½	16	5½	10	22
Dixons	220	9	22	27	3½	14	22
(*225)	240	2	12	18	19	27	35
Eurotunnel	460	23	52	70	5	28	42
(*477)	500	4	32	50	33	50	63
Glaxo	600	20	55	74	5½	31	46
(*612)	650	3	32	52	41	60	73
Hillsdown	140	20	23	26	1	7½	11
(*159)	160	4	9	15	5	17	22
Lonrho	80	4½	11½	14	1½	6	9
(*83)	90	1	7½	10	7	11½	15
HSBC 75p shs	550	53	62	77	1½	20	32
(*599)	600	12	33	51	11	43	57
Natl Power	350	5½	20	27	5	15	25
(*330)	360	1	8½	14	32	35	44
Reuters	1350	25	79	116	21	61	93
(*1367)	1400	4	61	89	49	89	117
R Royce	120	8	12½	17	2	9	13
(*127)	130	2½	8½	13	6	15	19
Scot Power	240	5½	16	22	2	9	17
(*244)	260	1	8	12	18	21	30
Sears	100	4	0	12	2	8	18
(*102)	110	1	4	7	10	15	16
Forte	200	5	14	18	5	19	23
(*201)	220	1	6½	12	22	30	31
Thorn EMI	850	27	57	66	4	22	45
(*870)	900	2½	31	40	35	49	74
TSB	160	14	21	25	1½	6½	11
(*173)	180	2	10½	16	18	16	21
Vaal Reefs	40	5	7	8	1	1½	4½
(*44)	45	2	5	5½	4½	5	7
Wellcome	850	44	73	100	2	32	47
(*887)	900	10	45	73	23	56	72

EURO FT-SE INDEX (*2899)

	2725	2775	2825	2875	2925	2975	3025	3075
CALLS								
Mar	171	121	71	21	½	½	½	½
Apr	186	142	100	66	36	18	8	4
May	203	-	125	-	65	-	29	-
Jun	218	-	144	-	85	-	45	-
Sep	253	-	190	-	135	-	90	-
Dec	295	-	230	-	175	-	130	-
PUTS								
Mar	½	½	½	½	30	80	130	180
Apr	7	12	22	37	59	92	131	177
May	20	-	42	-	82	-	144	-
Jun	27	-	50	-	95	-	153	-
Sep	53	-	85	-	125	-	180	-
Dec	75	-	105	-	150	-	200	-

FT-SE INDEX (*2899)

	2700	2750	2800	2850	2900	2950	3000	3050
CALLS								
Mar	196	146	96	46	½	½	½	½
Apr	212	165	121	84	52	29	13	6
May	225	183	143	108	79	55	36	23
Jun	236	195	158	125	96	72	52	37
Dec †	318	-	245	-	190	-	140	-
PUTS								
Mar	½	½	½	½	5	55	105	156
Apr	5	8	15	26	48	76	114	157
May	15	23	34	49	69	97	128	166
Jun	23	33	45	63	83	108	139	175
Dec †	70	-	100	-	135	-	200	-

March 19 Total Contracts 31,646
Calls 20,760 Puts 10,886
FT-SE Index Calls 3,918 Puts 4,252
Euro FT-SE Calls 2,375 Puts 1,523
*Underlying security price † Long dated expiry months
Premiums shown are based on closing offer prices

TRADITIONAL OPTION 3-month call rates

U INDUSTRIALS	p	Cadburys	36	HSBC (75p shs)	39	Ratners	3	Brit Land	7
Allied-Lyons	50	Charter Cons.	52	Hanson	20	Reed Intl	52	Land Sec.	40
Amstrad	3½	Comm Union	52	ICI	76	Sears	9	MEPC	30
Astec (BSR)	3½	Courtaulds	40	Ladbroke	15	SmKl Bchm A	40	U OILS	
BAT Inds	75	Eurotunnel	30	Legal & Gen	38	TI	28	Arcon Intl.	6
BOC	56	FKI	12	Lex Service	19	TSB	12	Aviva Pet	5
BTR	41	FNFC	7	Lloyds Bank	45	Tesco	20	BP	21
Barclays	30	Forte	14	Lonrho	7	Thorn EMI	70	Burmah Castrol	60
Blue Circle	22	GKN	40	Lucas Inds	13	Tomkins	22	Premier Cons	3
Boots	42	Gen Accident	31	Marks Spencer	25	T & N	25	Shell	36
Bowater	42	GEC	22	NatWest Bank	30	Unilever	72	U MINES	
Brit Aerospace	24	Glaxo	40	P & O Dfd	40	Vickers	9	RTZ	62
British Steel	6	Grand Met	40	Racal Elect	12	Wellcome	75		
Brit Telecom	26	GRE	15	Rank Org	53	U PROPERTY			

FT FIXED INTEREST INDICES

	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Year ago	High*	Low*
Govt Secs (UK)	97.58	97.73	97.34	97.23	97.74	86.06	98.04	85.11
Fixed Interest	113.29	112.91	112.80	113.68	113.81	99.20	113.83	97.15

* for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75) Fixed Interest high since compilation: 113.83 (6/3/93), low 50.53 (3/1/75) Basis 100 Government Securities 15/10/26. Fixed Interest 1928.

GILT EDGED ACTIVITY

	Gilt edged bargains	5-day average
Mar 18	117.7	121.1
Mar 17	126.6	123.7
Mar 16	110.8	123.6
Mar 15	128.4	127.8
Mar 12	122.0	130.3

* SE activity indices rebased 1974

COMMODITIES

WEEK IN THE MARKETS

Cocoa support scheme abandoned

INTERNATIONAL COCOA Organisation delegates decided yesterday to abandon efforts to negotiate a market stabilisation pact based on a stock withholding scheme.

With time quickly running out for reaching an agreement that could be ratified in time to replace the present morihund pact when it expires at the end of September, and with wide gaps remaining between producers and consumers on several crucial issues, the delegates decided to consider the softer option of an agreement based on voluntary production cootrol, promotion of consumption and running down the orgaoisation's 233,000-tonne buffer stock.

A special session of the ICCO couocil will be held oo June 8-11 to discuss this plan, which an official described yesterday as more than an administrative pact hut well short of a full economic accord.

The announcement, which came too late to produce any response at the London cocoa futures market, is unlikely to have come as much of a surprise to traders, most of whom had long ago given up hope of an effective market support pact being agreed. Late trading in New York showed little sign of a reaction, though prices were teoding lower.

Sugar cootinued to be the brightest star in the commodities firmament this week as New York futures prices surged lo three-year peaks and their London counterparts to the highest levels since April 1991. The August cootract in London closed yesterday at $265.20 a tonne, up $25.20 oo the week, while New York's July contract moved above the 12 ceots-a-lb mark. In late trading it was quoted at 12.50 ceots a lb, up 1.72 cents from the end of last week and three cents from a month ago.

Having beeo wakened from its torpor a few weeks ago by drought-induced cuts io the Thai crop projection – down from the initial 5m tonnes to 3.51m, which would be the lowest level for five years – the sugar market was given a further boost by news that Cuba had been hit by the storms that swept the easlern seaboard of the US last weekend.

London analysts were dubious from the first about the extent of the damage to Cuba's sugar crop, which was already expected to be well down from last year's 7m tonnes, possibly as low as 5m tonnes. And in its daily Commodity Report yesterday GNI, the London trade house, noted that a Cuban request for United Nations aid revealed that "only $46m of damage was done to the sugar crop – or 190,000 tonnes". That figure was well below some of the earlier estimates, GNI said, "and adds weight to our negative view point".

Traders were in no mood to be dissuaded from their newfound bullishness, however. "The market is still tight," one London analysts told the Reuter news egency yesterday. "It's oo an uptreod and it has recovered a long way." But he was not sure that it could sustain present price levels, which offered attractive profit-taking opportunities for speculators and might tempt producers to sell from their stocks. "There is a lot of material to be sold short term end if selling begins, we could see the top of the market," he suggested.

In contrast, the coffee market extended last week's heavy fall. The Londoo Futures and Options Exchange's May robustas price closed yesterday at $879 a tonne, up $6 on the day but $34 down on the week. In the ebsence of fundemeotal developments traders attributed the market's continued weakness to the high level of consumer stocks aod pessimism about the prospects for progress towards the revival of the International Coffee Organisatioo's export quota system being made at oext week's London meeting.

GNI suggested yesterday that lack of enthusiasm from the US, the biggest coffee consumer, could scupper the oegotiations. "It is likely that the US dalegation has not received a fresh mandate from [President] Clinton," it said in its Commodity Report, "in which case the meetings will merely be to set another date for talks, but if [delegates] have had word that the US position has not chaoged uoder Clinton, then everyone might as well pack up and go home early."

At the London Metal Exchange tin proved the brightest spark as commission house buying fuelled a late rally in prices. Dealers said labour unrest in the Bolivian mining industry also provided support as an accelerating $230 surge over three days wiped out an earlier $142.50 fall and left the cash position at $5,755 a tonne.

The cash copper price ended £61.50 down oo the week at £1,459.50 a tonne, but most of that resulted from sterling's strength against the dollar, in terms of which the pice was only down about $12. Despite high stocks, poor demand growth outside North America and Japanese selling early in the week, copper made several attempts to break loog-standing resistance at just above $2,200 for three months metal. Dealers said buyers were encouraged by concero over the situation in Zaire, labour unrest in Chile and falls in stocks at the New York Commodity Exchange (Comex), suggesting that output losses caused by widespread flooding in Arizona this year had been heavier than thought earlier.

The gold price moved steadily higher this week, ending yesterday at $331.45 a troy ounce, up $3.70 on balance. But dealers expected eny closer approach to the ceiling of the recent $326/333 price range to attract producer selling, especially as in South African rand terms the price oear a record.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+3,425	to 1,715,075
Copper	+1,250	to 347,350
Lead	+7,275	to 242,425
Nickel	-12	to 65,740
Zinc	+6,050	to 693,460
Tin	-125	to 19,045

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Fri Mar 19	Day's change %	Thu Mar 18	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	129.78	-0.05	129.84	2.41	1.98
2	5-15 years (22)	149.73	-0.04	150.14	1.36	3.87
3	Over 15 years (8)	159.46	-0.32	159.98	1.01	3.10
4	Irredeemables (6)	182.52	-0.22	182.91	2.98	1.48
5	All stocks (60)	145.89	-0.09	146.19	1.72	3.07
	Index-Linked					
6	Up to 5 years (2)	183.48	-0.09	183.56	0.33	1.51
7	Over 5 years (12)	175.21	+0.09	175.05	0.67	1.23
8	All stocks (14)	175.19	+0.07	175.06	0.63	1.27
9	Debs & Loans (67)	130.07	-0.15	130.26	2.19	2.45

AVERAGE GROSS REDEMPTION YIELDS

			Fri Mar 19	Thu Mar 18	Year ago (approx.)	1992/93 High	1992/93 Low
	British Government						
1	Low	5 years	6.57	6.53	9.19	10.03 15/9/92	6.33 19/2/93
2	Coupons	15 years	7.59	7.54	9.55	9.72 1/4/92	7.54 18/3/93
3	(0%-7¾%)	20 years	7.91	7.86	9.55	9.72 1/4/92	7.83 8/3/93
4	Medium	5 years	6.85	6.83	9.96	10.28 1/4/92	6.73 15/3/93
5	Coupons	15 years	8.12	8.09	9.67	9.82 1/4/92	8.06 8/3/93
6	(8%-10¾%)	20 years	8.29	8.25	9.62	9.76 1/4/92	8.23 10/3/93
7	High	5 years	7.02	7.00	10.18	10.50 1/4/92	6.89 8/3/93
8	Coupons	15 years	8.33	8.29	9.82	9.96 1/4/92	8.27 8/3/93
9	(11%-)	20 years	8.41	8.36	9.73	9.90 5/10/92	8.36 8/3/93
10	Irredeemables (Flat Yield)		8.36	8.33	9.73	9.92 2/4/92	8.31 8/3/93
	Index-Linked						
11	Inflation rate 5%	Up to 5 yrs	2.26	2.12	3.76	5.06 16/9/92	1.82 12/2/93
12	Inflation rate 5%	Over 5 yrs	3.38	3.36	4.53	4.76 16/9/92	3.36 18/3/93
13	Inflation rate 10%	Up to 5 yrs	1.54	1.32	3.04	4.23 16/9/92	0.92 12/2/93
14	Inflation rate 10%	Over 5 yrs	3.19	3.19	4.34	4.56 16/9/92	3.19 19/3/93
15	Debs &	5 years	8.54	8.42	11.19	11.51 6/4/92	8.41 16/3/93
16	Loans	15 years	9.20	9.16	10.90	11.22 6/4/92	9.14 18/3/93
17		25 years	9.41	9.39	10.73	11.02 6/4/92	9.38 18/3/93

INTERNATIONAL COMPANIES AND FINANCE

Singer to take control of rival sewing-machine group

By Christopher Parkes in Frankfurt

SINGER, one of the world's leading sewing-machine makers, is to take control of Pfaff, its German rival.

Mr Wolfgang Schuppli, Pfaff's largest single shareholder and chairman of its supervisory board, has agreed to sell his 29 per cent stake to Singer's parent, Semi-Tech Global. Before the transfer of his holding, Semi-Tech will acquire an initial 22 per cent through bilateral negotiations with other stock-holders, Pfaff said yesterday.

No details were given of the price to be paid for the targeted 51 per cent stake. The deal, supported by the German company's board and now under examination by the cartel authorities in Berlin, is expected to be concluded later this year.

The two brands are estimated to command an overall 20 per cent market share in Germany.

Pfaff, the world's second-biggest industrial sewing-machine maker after Juky of Japan, has run into difficulties following the collapse of its markets in eastern Europe.

In 1991 it lost DM18m ($10.9m) on sales of DM1bn. The books have not yet been closed on 1992, but turnover fell by 5 per cent during the year and profits had not improved, according to Pfaff. The group's household machines business, which accounts for 25 per cent of sales, is still profitable.

Semi-Tech Global, part of the Canadian Semi-Tech International group which also owns the Japanese Sansui Electric company, is listed on the Hong Kong stock exchange. The group has annual sales of more than $2bn. It took a 51 per cent stake in Singer, a household machine specialist, in 1988 and has since steered it out of difficulties with continuing increases in sales and profits, according to Pfaff.

The Pfaff brand will remain, but the implications for its 6,700 workers are unclear. The agreement announced yesterday followed talks on a co-operation deal under which Singer was to supply Pfaff with cheaper components from its far eastern plants.

Kawakami ousted from board of Yamaha

By Michiyo Nakamoto in Tokyo

THREE generations of family rule ended at Yamaha, the world's largest maker of musical instruments, with the decision yesterday to oust Mr Hiroshi Kawakami, grandson of the company's founder, from the board.

Mr Kawakami, who was suddenly forced to resign as president of Yamaha in February last year, is also relinquishing his position as a board member in June. He will become a director of a little-known affiliate company, Yamaha Resort.

Mr Kawakami's resignation last year as president had been triggered by a demand from Yamaha's labour union for him to take responsibility for the company's poor performance.

The latest coup was triggered by the displeasure of company management at his comments to the media after his resignation from the presidency. Earlier this month, an article based on an interview with Mr Kawakami and describing his anger at being ousted in a boardroom coup appeared in a popular weekly magazine. "Those comments ... have damaged the company's reputation," a company representative explained.

Mr Hideto Eguchi, president of Yamaha Motor, the motorcycle manufacturer and member of the Yamaha group, is also resigning as chairman of the musical instrument maker, just one year after he assumed the post.

Yamaha said it had no plans to fill the chairmanship after Mr Eguchi vacates the post after a board meeting in June. Mr Eguchi will concentrate on the motor business, which faces an increasingly difficult trading environment.

Mr Kawakami's departure formally ends the rule of the Kawakami family, which began in 1897 with the establishment of the company by Mr Kawakami's grandfather.

Yamaha has been hit by a plunge in demand for musical instruments. In the six months to September it reported a 43.7 per cent drop in pre-tax profits to Y3.87bn ($33.1m) and cut its interim dividend.

● Brother Industries, a maker of small machinery, plans to transfer production of portable electronic typewriters to a US plant for export to Japan and Asia, AP-DJ reports.

The company manufactures models in the US and Europe for sale in those areas, but to date has been making units for Asian markets in Japan.

Japan's steel makers see sharp falls

By Robert Thomson in Tokyo

JAPAN'S leading steel makers forecast falls in pre-tax profit of more than 70 per cent, as demand from the car and construction industry falters and diversification programmes remain a burden on earnings.

Nippon Steel, the world's largest steel maker, forecasts a 72 per cent fall in pre-tax profit to Y28bn ($24m) in the year ending this month, and a 9 per cent fall in sales to Y2,290bn, as increased competition in international markets reduces margins and domestic sales fall.

The company said Japanese steel production was likely to decline some 8 per cent this year, in spite of heavy demand from China, where a construction boom has led to a four-fold rise in imports from Japan, compared with a year earlier.

Three makers – NKK, Kawasaki Steel, and Sumitomo Metal Industries – forecast a net profit of zero, while all expect sharply lower pre-tax profits: NKK at Y5bn, down from Y37.5bn; Kawasaki at Y7.5bn, down from Y45bn; and Sumitomo at Y5bn, down from Y40.5bn.

PRODUCTION cuts are intensifying at Thyssen Stahl, Germany's largest steel producer, writes Ariane Genillard in Bonn.

Speaking at yesterday's annual meeting, Mr Heinz Kriwet, chairman of the Thyssen group, said sales for the steel division were 20 per cent lower for the five months ended February compared to the same period last year.

Crude steel production fell by 22 per cent. But long products suffered the greatest setback with five-month production falling 50 per cent.

The group will lay off 9,000 workers, mostly in its steel divisions, by the end of 1994 – up 1,000 from planned cuts announced earlier this year.

Mr Kriwet said the principal cause of the European steel crisis was the continuing subsidies enjoyed by Italian and Spanish steel producers. He also blamed "unfair" competition from east European producers. For the full Thyssen group, sales for five months fell by 10 per cent.

Kobe Steel said it expects sales of Y1,180bn and a pre-tax profit of Y14bn, compared with Y1,301bn and Y47.7bn in the previous period. It said that net profit, forecast at Y12bn, would be bolstered by extraordinary gains on sales of property and stocks.

Each of the leading five makers has suffered along with the Japanese car industry, which expects sales in the coming fiscal year to rise by a slim 1.6 per cent.

Although construction orders will be assisted by a planned increase in infrastructure spending, a large inventory of materials has already been accumulated and steel production appears likely to drop again next year.

With core profits under pressure, the companies are reviewing diversification programmes launched during the mid-1980s in an attempt to reduce their reliance on steel production.

The plunge in earnings this year suggests that these new areas have yet to produce the additional profits that were foreseen when the investments were made.

Shares in Baltica suspended

By Hilary Barnes in Copenhagen

SHARES in Denmark's biggest insurance group, Baltica Holding, and its insurance arm, Baltica Insurance, were suspended yesterday after the stock plunged from DKr216 to DKr155.

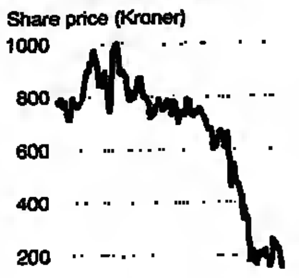
The company is negotiating with banks about its financial problems, which may lead to changes in the group's structure.

Details of the restructuring will be published "before the end of March", at the same time as the group's annual accounts.

Baltica was rescued last year when Den Danske Bank bought 32 per cent of the shares in Baltica Insurance, a move that relieved Baltica's immediate cash-flow problem.

Baltica Holding

Share price (Kroner)



Source: FT Graphite

The group said at the time that it expected to make a 1992 group loss of between DKr2.5bn ($393m) and DKr2.8bn and that its equity capital would be reduced from just over DKr9bn at the end of 1991 to between DKr4.5bn and DKr4.8bn. Some analysts now expect the 1992 loss to exceed DKr3bn.

The problems at Baltica are concentrated in the holding company, which was set up in the mid-1980s to enable the insurance company to venture into banking and other non-insurance financial activities.

The holding company has had to make large write-offs and provisions on an office complex development project in Gibraltar and on a Danish property business, Sanexco.

Baltica is the second big Danish insurer to hit trouble. Last August, Hafnia Holding, Baltica's main domestic rival, suspended payments after its equity capital was wiped out by losses on strategic shareholdings in Baltica and the Swedish insurer, Skandia.

Provisions and poorly-performing investments behind Asko setback

By David Waller in Frankfurt

ASKO Deutsche Kaufhaus, the German retailer which is majority owned by Swiss-based Metro group, blamed high provisions and poorly-performing investments for a net group loss of DM488m ($298m) in the nine months to the end of last September. This compares with a profit of DM6m in 1991.

However, Mr Klaus Wiegandt, chief executive, said yesterday that Asko was on course to make "substantial profits" during this year on sales in the region of DM20bn. He said the group could make operating profits of DM200m, after interest payments.

The company is paying no dividend for the nine months, its abbreviated fiscal year. Mr Wiegandt was hopeful the group would be able to pay a dividend for 1992-1993, but said the payout would hinge on the scale and timing of asset sales, which are intended to raise DM800m over the remainder of the year.

The losses for the nine months, which totalled DM648m at the parent company, are to be offset by the group's reserves, reducing the group's asset-to-equity ratio from 11 per cent to 3.5 per cent. The group's debts, which stand at DM4.7bn, would be cut to less than DM2bn over the course of the year, Asko said.

Turnover was just under DM16bn, up 12.8 per cent on the first nine months of 1991. Operating profits fell from DM328m to DM122m.

The group's poor financial condition reflects a series of acquisitions made in the late 1980s, culminating in the purchase of the Co-op group in 1989. The high level of provisions reflects the fact that many of the group's investments are now worth less than when they were bought.

As indicated in January, the group is to raise money through a mixture of outright sales and partial flotations.

Asko confirmed yesterday that Morgan Grenfell, the merchant banking subsidiary of Deutsche Bank, has been retained to advise on the flotation of a 25 per cent stake in the Praktiker DIY chain. Mr Wiegandt said Praktiker's market value would be more than DM2bn.

Nikon fears first deficit for 34 years

By Michiyo Nakamoto

NIKON, the camera and precision instruments manufacturer, expects to post a pre-tax loss in the year ending in March – its first loss in 34 years.

The company had expected to break even, but now warns of a pre-tax loss of Y2.2bn ($18.8m) on revenues of Y205bn, down from an earlier forecast of Y210bn.

A weaker-than-expected market for cameras and semiconductor manufacturing equipment was responsible for the revised figures, Nikon said.

Although overall camera sales were steady and the division had made a profit, the level of sales had been much lower than the company had expected.

Demand for single-lens reflex cameras and lenses was particularly weak, although compact cameras sold well.

The weakness of the semiconductor market had also been a factor behind Nikon's downturn. Sales were down 30 per cent on the previous year.

The company believes that the first half of next year will remain difficult.

A return to profit depends largely on the extent of the expected economic recovery in the second half, the company said.

● Victor of Japan (JVC) plans to take half-finished digital compact cassette players from its majority shareholder Matsushita Electric Industrial in order to save production costs, Reuter reports from Tokyo.

News Corp seeks SEC approval to raise up to $1bn

NEWS Corporation, Mr Rupert Murdoch's media group, has filed a shelf registration with the US Securities and Exchange Commission (SEC) which would permit it to issue up to $1bn in debt securities, writes Kevin Brown in Sydney.

News Corp said the filing would allow it to issue senior subordinated, subordinated or senior debt securities "from time to time" once a related registration statement becomes effective. This is the latest in a series of moves to raise debt and equity capital to replace bank debt acquired as part of the group's $7.6bn restructuring in 1991.

Anheuser in joint venture to sell Budweiser in Japan

By Emiko Terazono in Tokyo

ANHEUSER-BUSCH, the US brewer best known for its Budweiser brand, has joined forces with Kirin Brewery, Japan's largest beer company, to set up a joint venture to sell Budweiser in Japan.

Anheuser will provide 90 per cent of the Y9bn ($77m) capital of the new company, while Kirin will hold a 10 per cent stake. Anheuser plans to boost its market share in Japan from the present 1.2 per cent to 5 per cent by distributing Budweiser through Kirin's network.

The US brewer will terminate its current distributing contract with Suntory, a medium-sized Japanese beverage company, in September.

The move comes after extensive negotiations with Japan's Fair Trade Commission, the country's anti-monopoly watchdog. Kirin already has almost 50 per cent of the Japanese beer market, and in an unusual move, the FTC advised that Kirin take a small stake in the new company.

The agreement comes as Japan's beer market is showing signs of shrinking due to the slowing economy.

However, Kirin said the joint venture was a long-term commitment, and it believed that the new company would revitalise the market.

Stead to take over at NCR

By Martin Dickson in New York

MR JERRE Stead, a fast-rising star at American Telephone & Telegraph, is to take over as chairman and chief executive of NCR, AT&T's computer subsidiary, from Mr Gilbert Williamson, who is unexpectedly retiring.

Mr Williamson, who has been with NCR for 30 years, became chairman after AT&T acquired NCR in a hostile $7.4bn 1991 takeover. He oversaw the successful integration into NCR of AT&T's much weaker computer business.

He will only be 56 next month, but both NCR and AT&T claimed yesterday that the retirement from May 1 to pursue "personal interests" was his initiative and had not involved pressure from Mr Robert Allen, AT&T's chairman. Mr Allen expressed "deep gratitude" for Mr Williamson's handling of the integration.

However, some analysts speculated that Mr Williamson might not have moved sufficiently quickly for AT&T's liking to raise NCR's computer industry profile in the 18 months since the merger.

Mr Stead, 50, joined AT&T in September 1991 from Square D, an electrical components company acquired by France's Groupe Schneider. He was put in charge of AT&T's loss-making business communications systems operation, which makes office telephone equipment, and put it into the black.

Mr Stead will be succeeded at business communications systems by 39-year-old Ms Patricia Russo, currently vice-president national sales and services for the unit.

The acquisition of NCR was a gamble by Mr Allen that the rapid convergence of the computer and telecommunications industries would benefit companies with strong positions in both sectors.

So far, the merger has gone more smoothly than many on Wall Street had predicted, but NCR has yet to prove that it is capable of sustained market-share growth.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1992/93	Low 1992/93
Gold per troy oz.	$331.45	+3.7	$339.05	$358.40	$326.05
Silver Per troy oz	246.5p	-7.5	243.53p	265.50p	187.58p
Aluminium 99.7% (cash)	$1148.5	-3	$1297.5	$1339.0	$1105.5
Copper Grade A (cash)	£1459.5	-20.5	£1302.5	£1561.0	£1125.0
Lead(cash)	£272	+1.75	£307	£383.5	£270.25
Nickel (cash)	$5947.5	-17.5	$7375	$8195.0	$5315
Zinc SHG (cash)	$996.5	-12	$1222	$1457.5	$996.5
Tin (cash)	$5755	+87.5	$5625	$7115.0	$5425.0
Cocoa Futures (May)	£697	+7	£690	£751	£523
Coffee Futures (May)	$880	-33	$506	$1039	$676
Sugar (LDP Raw)	$282.5	+32.9	$212.8	$282.5	$193
Barley Futures (May)	£138.5	-0.75	£117.15	£144.50	£106.90
Wheat Futures (May)	£142.65	-1.45	£127.00	£148.00	£109.85
Cotton Outlook A Index	60.80c	-1.25	55.50c	65.90c	52.25c
Wool (64s Super)	387p	-5	452p	480p	364p
Oil (Brent Blend)	$18.80x	+0.09	$17.775	$21.30	$17.00

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. x-May.

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(May)		+ or -
Dubai	$16.33-6.42u	-.025
Brent Blend (dated)	$18.56-8.60u	-0.02
Brent Blend (May)	$18.79-8.82	-0.02
W.T.I (1 pm est)	$20.34-0.37u	-0.04
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$199-201	
Gas Oil	$176-177	-2.5
Heavy Fuel Oil	$76-77	
Naphtha	$172-173	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$331.45	+1.2
Silver (per troy oz)♣	367.5c	+3
Platinum (per troy oz)	$350.25	+1.8
Palladium (per troy oz)	$105.75	+0.25
Copper (US Producer)	100.5c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	14.49r	+0.13
Tin (New York)	260.0c	+1.8
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	N/A	
Sheep (live weight)†♣	N/A	
Pigs (live weight)†	N/A	
London daily sugar (raw)	$262.5	+10
London daily sugar (white)	$285.9	+8.30
Tate and Lyle export price	£303.50	+3
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£171.9	
Wheat (US Dark Northern)	Unq	
Rubber (Apr)♥	62.75p	-1
Rubber (May)♥	63.25p	-1
Rubber (KL RSS No 1 Feb)	220.0m	
Coconut oil (Philippines)§	$430.0y	+2.5
Palm Oil (Malaysian)§	$410.0x	
Copra (Philippines)§	$280.0	-2
Soyabeans (US)	£179.5	-2.5
Cotton "A" Index	60.80c	
Wooltops (64s Super)	387p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Apr/May u-May. x-Apr. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago. provisional prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
May	270.00	244.20	268.00	253.00
Aug	268.00	249.00	263.50	253.40
Oct	226.00	223.00	227.50	
White	**Close**	**Previous**	**High/Low**	
May	305.00	295.00	304.00	294.70
Aug	319.00	298.00	319.00	292.50
Oct	286.00	276.00		
Dec	286.00	275.00	286.00	
Mar	281.00	272.00	281.00	277.50

Turnover: Raw 278 (18) lots of 50 tonnes. White 2627 (2478) Paris- White (FFr per tonne): May 1701.34 Aug 1781.34

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
May	18.83	18.84	19.00	18.75
Jun	18.91	18.85	19.05	18.83
Jul	18.88	18.91	19.00	18.81
Aug	18.91	18.92	19.01	18.86
Sep	18.90	18.86	18.90	
Oct	18.95	18.89	18.93	
IPE Index	18.83	18.69		

Turnover 14083 (21861)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Apr	173.00	175.25	176.00	172.50
May	172.00	173.25	174.00	171.75
Jun	171.25	172.25	173.50	171.50
Jul	172.75	173.25	174.50	172.50
Aug	174.25	175.25	176.00	174.25
Sep	176.75	177.25	176.00	175.50
Oct	179.25	179.75	180.00	179.75
Nov	181.50	181.50	181.50	181.50
Dec	183.00	183.00	184.00	183.75
Jan	182.75	182.75	183.50	

Turnover 5729 (13664) lots of 100 tonnes

SPICES

Spot at US$1,750 a tonne, and cif supplies at $1,700. Sarawak and Indian black pepper was slightly cheaper with Sarawak black label spot at $1,100 a tonne and cif at $1,050. Malabar mg 1 was quoted at $1,075 a tonne, cif. Madagascan cloves were on offer at $770 a tonne, cif and $825 spot, while Zanzibar cloves were fetching $850 a tonne, spot. Indian cannam a4 chillies were priced at $1,100 a tonne and Mexican pimento was slightly easier at $1,700 a tonne, spot, and $1,650 cif. Jamaican pimento was unchanged at $2,275 a tonne, spot, and $2,140, shipment.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	690	685	691	690
May	697	702	707	692
Jul	709	714	718	705
Sep	723	727	731	717
Dec	743	746	750	740
Mar	762	765	769	760
May	775	779	781	
Jul	789	792	792	

Turnover: 2661 (5006) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 18 718.40 (703.75) 10 day average for Mar 18 699.20 (697.71)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Mar	910	893	897	893
May	880	873	883	876
Jul	853	851	860	851
Sep	868	865	875	865
Nov	879	876	885	879
Jan	891	892	896	

Turnover:1831 (3379) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 18: Comp. daily 53.43 (53.88) 15 day average 55.74 (56.04)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	40.8	41.0	41.0	40.5
May	42.6	43.0	43.0	42.5
Nov	92.5		82.1	91.9

Turnover 67 (45) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr			

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Mar	1485	1498	1485	1470
Apr	1451	1438	1451	1440
May	1411	1400	1411	1400
Jul	1285		1286	1255
Oct	1379		1379	1350
BFI	1476	1466		

Turnover 181 (96)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Mar	142.00	142.50	142.00	
May	142.65	142.50	142.65	142.50
Jul	143.75	146.00	144.20	143.75
Sep	107.75		107.75	
Nov	110.50	110.10	110.30	110.00
Jan	113.05	113.30	113.15	112.90
Mar	115.75	116.00	115.80	115.50
Barley	**Close**	**Previous**	**High/Low**	
Mar	140.00	140.00	140.00	
May	138.50		139.00	138.50
Sep	108.50	108.75	108.50	108.25
Nov	109.35	109.50	109.50	109.25

Turnover: Wheat 436 (198), Barley 82 (95).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Mar	115.5	116.0	115.0	
Apr	114.9	118.9	113.0	
May	111.0		113.0	
Jun	111.0		111.0	110.0
Jul	105.5		105.8	105.9
Oct	105.0		105.9	
Nov	105.0		105.0	

Turnover 28 (9) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 33,973 lots
Cash	1148-49	1145-46	1147.5	1147.5-48		
3 months	1171.5-72	1168.5-69	1174/1160	1171.5-72	1171-72	160,700 lots
Copper, Grade A (£ per tonne)						Total daily turnover 42,015 lots
Cash	1459-60	1472.5-80.5	1457/1458	1455.5-56		
3 months	1483-84	1503.5-04	1502/1475	1480.5-81	1488-89	159,608 lots
Lead (£ per tonne)						Total daily turnover 2,892 lots
Cash	271.5-72.5	270-70.5	271.5	273.5-74.5		
3 months	281-81.5	280.5-81	284.5/281	283.5-84	283-84	20,853 lots
Nickel ($ per tonne)						Total daily turnover 3,314 lots
Cash	5945-50	5895-905	5930/5920	5930-32		
3 months	6015-20	5965-70	6030/5960	5990-92	6010-6015	39,826 lots
Tin ($ per tonne)						Total daily turnover 5,223 lots
Cash	5750-60	5600-10	5760	5755-60		
3 months	5815-20	5665-70	5850/5890	5820-25	5840-50	8,619 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,086 lots
Cash	996-97	997-98	997/996.5	996.5-97		
3 months	1017-18	1017.5-18	1020/1017	1018-18.5	1019-20	70,498 lots

LME Closing £/$ rate: SPOT: 1.4895 3 months: 1.4792 6 months: 1.4705 9 months: 1.4630

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	331.30-331.60	
Opening	330.85-330.60	
Morning fix	331.20	223.525
Afternoon fix	331.55	222.380
Day's High	331.70-332.00	
Day's low	330.55-330.95	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.60	6 months	2.50
2 months	2.55	12 months	2.49
3 months	2.52		

Silver fix	p/troy oz	US cts equiv
Spot	245.90	367.75
3 months	249.80	370.50
6 months	253.15	373.80
12 months	259.70	379.55

GOLD COINS

	$ price	£ equivalent
Krugerrand	330.00-333.00	223.00-225.00
Maple leaf	341.40-343.65	-
New Sovereign	78.50-81.50	53.00-55.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Apr	Jul	Apr	Jul
1125	33	84	3	9
1150	14	48	6	18
1175	4	31	23	28
Copper (Grade A)	**Calls**		**Puts**	
2100	54	122	3	14
2150	21	86	9	27
2200	6	61	37	48
Coffee	**May**	**Jul**	**May**	**Jul**
850	51	48	21	45
900	25	29	43	75
950	12	18	82	115
Cocoa	**May**	**Jul**	**May**	**Jul**
725	19	32	38	48
750	5	23	58	64
775	2	17	80	83
Brent Crude	**May**	**Jun**	**May**	**Jun**
1850	81	-	20	31
1900	26	56	40	-
1950	16	34	73	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	331.8	332.0	332.9	331.7
Apr	332.8	334.5	334.5	334.3
Jun	333.9	335.3	335.3	333.3
Aug	334.9	336.3	336.8	336.3
Oct	335.3	336.4	336.4	336.0
Dec	337.8	337.9	338.2	337.4
Feb	340.8	341.5	341.5	

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	354.8	351.9	355.0	350.0
Jul	353.5	351.0	354.4	351.0
Oct	353.0	350.0	352.5	350.0
Jan	352.0	351.5	351.5	

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	367.7	367.5	367.5	368.0
May	369.3	369.0	370.0	367.5
Jul	371.7	371.5	372.5	370.0
Sep	374.1	373.5	375.9	373.5
Dec	377.7	378.5	378.5	376.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	97.15	97.60	97.60	97.00
Apr	97.30	97.20	97.30	97.20
May	97.75	97.65	98.30	97.40
Jul	98.40	98.30	99.00	98.20
Sep	99.05	99.10	99.55	98.80
Dec	99.75	99.90	100.10	99.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	20.20	20.29	20.41	20.11
May	20.36	20.44	20.60	20.30
Jun	20.45	20.50	20.65	20.39
Jul	20.48	20.52	20.65	20.43
Aug	20.48	20.54	20.63	20.45
Sep	20.41	20.52	20.61	20.45
Oct	20.43	20.52	20.61	20.45
Nov	20.45	20.47	20.48	20.45
Dec	20.43	20.44	20.59	20.42
Jan	20.30	20.41	20.41	20.38

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Apr	58.25	58.37	58.15	57.90
May	56.50	57.12	57.80	56.50
Jun	56.00	56.25	56.65	55.05
Jul	56.10	56.15	56.90	55.95
Aug	58.50	56.69	56.90	56.50
Sep	57.60	57.62	58.00	57.90
Oct	58.60	58.62	58.50	58.50
Nov	50.55	59.47	0	9
Dec	60.25	60.32	60.55	60.25
Jan	60.60	60.74	60.74	60.60

COCOA 19 tonnes;$/tonnes

	Close	Previous	High/Low	
May	910	916	930	908
Jul	943	940	947	933
Sep	963	963	969	954
Dec	1000	1000	1000	995
Mar	1000	1030	1030	1025
May	1051	1052	1050	1050
Jul	1069	1070	0	0
Sep	1091	1092	9	0
Dec	1121	1122	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	59.85	59.75	61.00	60.19
May	61.25	60.55	61.65	60.35
Jul	63.00	62.35	63.15	62.10
Sep	64.85	63.90	64.85	63.90
Dec	67.15	66.35	67.25	66.50
Mar	69.85	68.50	69.90	68.50
May	71.65	70.25	70.95	70.40

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	12.18	11.45	12.30	11.58
Jul	12.54	11.75	12.68	12.50
Oct	11.12	10.62	11.12	10.61
Mar	10.44	9.84	10.44	10.50
May	10.40	9.80	10.10	9.88
Jul	10.43	9.93	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	62.10	61.60	62.20	61.45
Jul	63.03	62.55	63.05	62.41
Oct	63.03	62.55	63.05	62.52
Dec	61.87	61.30	62.05	61.05
Mar	63.00	62.40	63.00	62.10

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	83.40	80.60	83.50	81.30
Jul	86.10	83.40	86.20	84.50
Sep	88.75	85.55	88.75	86.25
Nov	90.50	88.00	91.00	89.25
Jan	92.45	89.50	92.00	91.00
Mar	94.20	91.50	94.50	92.50
May	94.20	91.50	0	0
Jul	94.20	91.50	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar.19	Mar.18	mnth ago	yr ago
1758.3	1757.8	1777.1	1623.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Mar.18	Mar.17	mnth ago	yr ago
Spot	125.70	125.29	124.88	118.29
Futures	131.57	130.36	128.85	122.38

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	586/6	586/4	587/4	583/6
May	588/4	588/6	589/6	585/2
Jul	593/4	593/6	594/6	590/4
Aug	596/4	596/4	597/0	593/2
Sep	597/2	598/0	596/4	594/6
Nov	602/6	602/6	604/0	600/0
Jan	610/6	611/0	611/4	608/4
Mar	618/4	618/4	618/4	616/9

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.00	21.05	21.09	20.88
May	21.27	21.16	21.30	21.05
Jul	21.51	21.39	21.52	21.28
Aug	21.55	21.45	21.56	21.37
Sep	21.61	21.53	21.62	21.45
Oct	21.65	21.60	0	0
Dec	21.79	21.75	21.85	21.64
Jan	21.82	21.00	9	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	182.4	182.5	182.5	181.5
May	183.3	183.4	183.8	182.6
Jul	184.6	184.8	185.4	184.5
Aug	185.9	185.8	185.3	185.4
Sep	186.8	186.9	187.2	185.6
Oct	188.1	187.8	188.3	187.4
Dec	190.7	190.7	191.0	190.0
Jan	101.0	181.0	191.4	181.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	221/2	219/2	221/4	218/6
May	225/6	225/0	226/0	224/0
Jul	232/6	231/6	233/0	231/0
Sep	237/2	236/2	237/4	236/0
Dec	244/0	243/2	244/4	242/6
Mar	250/4	250/4	250/4	249/2
May	254/4	253/6	255/6	254/4
Jul	250/4	249/6	250/4	249/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	409/0	399/0	409/0	396/4
May	347/4	341/4	348/0	341/0
Jul	311/2	309/6	312/0	309/0
Sep	313/6	311/6	314/4	310/6
Dec	321/4	319/6	322/4	319/0
Mar	325/0	323/4	325/0	324/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	83.350	83.275	83.600	83.200
Jun	76.875	77.025	77.225	76.800
Aug	73.850	73.925	74.125	73.800
Oct	73.900	73.875	74.025	73.800
Dec	73.900	73.800	73.925	73.600
Feb	73.250	72.875	73.250	73.000
Apr	74.325	74.200	74.350	74.300

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	51.875	50.375	51.875	50.875
Jun	56.575	56.075	56.575	55.550
Jul	54.000	53.300	54.000	53.600
Aug	51.775	50.575	51.800	50.500
Oct	46.275	45.250	46.450	45.400
Dec	46.650	45.775	46.700	45.900
Feb	46.650	43.700	46.100	45.900
Apr	44.800	44.650	44.800	44.725

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	53.400	51.400	53.400	
May	54.100	52.100	54.100	54.100
Jul	54.625	52.625	54.625	54.625
Aug	51.950	49.950	51.950	51.950
Feb	52.650	51.900	53.300	51.500

FOREIGN EXCHANGES

Franc remains under pressure

THE FRENCH FRANC remained under pressure against the D-Mark inside the European exchange rate mechanism yesterday as dealers continued to express disappointment that the Bundesbank had not reduced its Lombard rate at its council meeting on Thursday, *writes James Blitz.*

The French currency fell as low as FFr3.4160 against the D-Mark at around lunchtime in London. It later closed unchanged at FFr3.4100, but still around 2 centimes above its ERM floor against the German currency.

Another reflection of the pressure on the franc was that 1-month interest rates rose as high as 12.5 per cent first thing in the morning and hovered around that level throughout the day.

Dealers are clearly preparing to test the commitment of a new French government to the *franc fort* policy following tomorrow's first round of parliamentary elections. There is concern that a new administration may float the franc in order to bring French interest rates down, although leading right-wing politicians reasserted yesterday that they were committed to the current parity.

A more important issue is whether the Bundesbank decides to reduce the rate at which it lends funds to commercial banks in its weekly intervention on Tuesday.

Mr Paul Chertkow, global currency strategist at UBS Phillips and Drew in London, believes that a 25 basis point cut in the repo rate, currently at 8.25 per cent, will allay the pressure on the franc.

Another potential source of trouble for the French currency comes from the peseta, which weakened against the D-Mark despite the fact that Spain was on holiday. The peseta closed at Pta71.59 against the D-Mark from Pta71.48. According to one dealer, the Bank of Spain has spent $5bn on intervention in the last two weeks.

The D-Mark's strength continued to take its toll on the dollar. After closing at DM1.6415 on Thursday night, the dollar dropped to a low of DM1.6260 in London trading before closing at DM1.6330.

Underlying sentiment in the market remains bullish for the US currency. But Mr Jim O'Neill, head of currency research at Swiss Banking Corporation and a long-time dollar bear, believes the US currency will slip to DM1.52 within the next 3 months.

Sterling rose a pfennig after poorer-than-expected inflation figures in the UK heightened speculation that the government may lean towards tightening monetary policy. The pound lost ground later, closing at DM2.4325 from a previous DM2.4400.

£ IN NEW YORK

Mar 19	Latest	Previous Close
£ Spot	1.4815-1.4825	1.4855-1.4865
1 month	0.39-0.38pm	0.38-0.37pm
3 months	1.05-1.03pm	1.01-0.99pm
12 months	3.27-3.17pm	2.81-2.76pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 19	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	139.128	-2.13	3.37	37
Irish Punt	0.809996	0.801266	-1.00	2.27	41
Dutch Guilder	2.20045	2.18179	-0.85	2.04	33
Belgian Franc	40.2802	39.9912	-0.72	1.90	27
D-Mark	1.95294	1.94127	-0.60	1.70	20
Portuguese Escudo	180.624	180.113	-0.28	1.46	4
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1985=100). *Rates are for Mar 18

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

OTHER CURRENCIES

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

	£	$	DM	YEN	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.489	2.432	172.7	8.292	2.250	2.732	2352	1.858	50.10	174.1	1.258
$	0.672	1	1.633	116.0	5.569	1.511	1.835	1580	1.248	33.65	116.9	0.845
DM	0.411	0.612	1	71.01	3.410	0.925	1.123	967.1	0.764	20.60	71.59	0.517
YEN	5.790	8.622	14.08	1000	48.01	13.03	15.82	13619	10.76	290.1	1000	7.284
F Fr.	1.206	1.796	2.933	208.3	10.	2.713	3.295	2836	2.241	60.42	210.0	1.517
S Fr.	0.444	0.662	1.081	76.76	3.685	1	1.214	1045	0.826	22.27	77.38	0.559
N Fl.	0.366	0.545	0.890	63.21	3.035	0.824	1	860.9	0.680	18.34	63.75	0.460
Lira	0.425	0.633	1.034	73.43	3.526	0.957	1.162	1000.	0.790	21.30	74.02	0.535
C$	0.538	0.801	1.309	92.95	4.463	1.211	1.470	1266	1	26.96	93.70	0.677
B Fr.	1.996	2.972	4.854	344.7	16.55	4.491	5.453	4695	3.709	100.	347.5	2.511
Pta	0.574	0.855	1.397	99.20	4.763	1.292	1.569	1351	1.067	28.78	100.	0.723
Ecu	0.795	1.184	1.933	137.3	6.591	1.789	2.172	1870	1.477	39.83	138.4	1

Yen per 1,000: French Fr. per 10: Lira per 1,000. Belgian Fr. per 100: Peseta per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.4895	1.4857	1.4789	1.4697	1.4563
D-mark	2.4325	2.4373	2.4441	2.4500	2.4547
French Fr.	8.2925	8.3382	8.4070	8.4655	8.5444
Swiss Fr.	2.2500	2.2484	2.2440	2.2365	2.2180
Yen	172.75	172.34	171.53	170.35	168.24

MONEY MARKETS

Re-thinking 5 per cent

STERLING futures contracts fell back sharply yesterday, after the figures for UK inflation in February came out a little worse than expected, *writes James Blitz.*

For the last two months, sterling dealers have assumed that the UK authorities would probably bring UK base rates as low as 5 per cent to stimulate the economic recovery.

But yesterday's retail prices index for February, which showed a headline rise of 1.8 per cent year-on-year, raised concerns that the government might have to lean towards tightening policy to keep inflation under control.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Indeed, the week has been dominated by signs that make another easing of UK monetary policy much less likely. On Tuesday, the chancellor said in his budget statement that current interest rates were consistent with the desired level of economic growth.

On Thursday, a surprise drop in the number of people out of work in the UK also raised speculation that another easing might not be necessary anyway.

All these elements combined to bring down the June short sterling contract by 9 basis points to a close of 94.22 yesterday. The September contract came down 12 basis points to close at 94.36 and the December contract down 11 basis points to close at 94.39.

In other words, the markets believe that, at best, 3-month sterling will drop to 5.61 per cent this year – and this level is just about compatible with 6 per cent base rates.

According to one London-based dealer, any speculation about a cut is based on perceptions that Germany will aggressively ease policy this year, and that the UK may be tempted to follow.

Sterling cash reflected the tighter tone. Three-month sterling rose to 6 per cent from about 5.75 per cent first thing yesterday morning. This came despite the relatively slick removal of a £1.65bn shortage forecast by the Bank of England.

German futures showed a delayed reaction to Thursday's decision by the Bundesbank to ease the discount rate by 50 basis points but leave the Lombard rate unchanged.

The June Euromark contract fell 4 basis points to close at 93.16 and the September contract was down 2 basis points to close at 93.90. Cash rates were steady, with call money at 8.58 per cent.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE EURO SWISS FRANC OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS; LIFFE SHORT STERLING OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PARIS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls April	Calls June	Calls September	Puts April	Puts June	Puts September
115	-	-	-	0.02	0.38	-
116	1.17	1.76	-	0.05	0.64	-
117	0.03	1.13	-	0.22	1.01	-
118	0.07	0.67	1.26	-	-	-
119	-	0.37	0.84	-	-	-
Open Int.	29,996	183,529	32,863	17,655	118,232	28,283

Estimated volume 16,228 † Total Open Interest 420,215

† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4895	[illegible]	[illegible]	[illegible]	1.4563

BANK RETURN

BANKING DEPARTMENT	Wednesday March 17, 1993	Increase or decrease for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	2,188,734,962	- 725,618,926
Bankers Deposits	1,574,845,493	+ 733,887,581
Reserve and other Accounts	3,834,476,618	- 56,774,105
	7,612,610,073	- 648,705,450
ASSETS		
Government Securities	1,197,572,132	+ 5,650,000
Advance and other Accounts	5,316,299,935	+ 151,981,190
Premises Equipment & other Secs	1,093,598,253	- 807,567,949
Notes	4,938,266	- 2,716,760
Coin	203,487	- 51,931
	7,612,610,073	- 648,705,450
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	16,265,067,734	- 17,283,240
Notes in Banking Department	4,938,266	- 2,716,760
	16,270,000,000	- 20,000,000
ASSETS		
Government Debt	11,015,000	
Other Government Securities	5,942,264,284	+ 21,122,671
Other Securities	10,316,720,616	- 41,122,671
	16,270,000,000	- 20,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
[illegible]		[illegible]		[illegible]	

● Members of British Merchant Banking & Securities Houses Association

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar 19)	3 months US dollars	6 months US Dollars	
bid 3¼	offer 3¼	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime			
Prime rate	6	One month	[illegible]
Broker loan rate	5	Two month	[illegible]
Fed funds	2¾	Three month	[illegible]
Fed funds at intervention	-	Six month	[illegible]
		One year	[illegible]
		Two year	[illegible]

Mar 19	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.55-8.65	8.25-8.35	7.85-8.00	[illegible]	[illegible]	[illegible]
Paris	10¾-11¼	12-12½	-	[illegible]	[illegible]	[illegible]
Zurich	4¾-5¼	5-5¼	-	[illegible]	[illegible]	[illegible]
Amsterdam	7.87-7.93	7.68-7.73	-	[illegible]	[illegible]	[illegible]
Tokyo	3¼-3⅜	3¼-3⅜	-	[illegible]	[illegible]	[illegible]
Milan	-	11⅛-11⅜	-	[illegible]	[illegible]	[illegible]
Brussels	8⅛-8⅜	8¼-8½	-	[illegible]	[illegible]	[illegible]
Dublin	10¼-10½	11-11¼	10⅞-11	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Mar 19	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	6	6⅛	6⅛	[illegible]	[illegible]	[illegible]
Interbank Bid	4½	5⅞	6	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	6⅛	[illegible]	[illegible]	[illegible]
Local Authority Deps.	6¼	6¼	6	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	-	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	5¼	5⅞	-	[illegible]	[illegible]	[illegible]
Company Deposits	-	-	-	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	6	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	5⅞	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	-	-	5¾	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	-	-	-	[illegible]	[illegible]	[illegible]
Dollar CDs	-	-	3.02	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	-	-	5¼	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	-	-	5	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	-	-	9⅝	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	-	-	9½	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 5⅝ per cent; three months 5½ per cent; six months 5¼ per cent; Bank Bills (sell): one-month 5⅞ per cent; three months 5⅞ per cent; Treasury Bills: Average tender rate of discount 5.4007 ECGD Fixed Rate Sterling Export Finance. Make up day February 26, 1993. Agreed rates for period March 24, 1993 to April 25, 1993, Scheme I: 7.35 p.c. Schemes II & III: 7.47 p.c. Reference rate for period January 30, 1993 to February 26, 1993, Scheme IV&V: 6.228 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 7 from March 1, 1993: Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¾ per cent; one-three months 5¼ per cent; three-six months 5 per cent; six-nine months 9¾ per cent; nine-twelve months 4½ per cent; Under £100,000 2¾ per cent from Jan.27, 1993, Deposits withdrawn for cash 1¼ per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc

No. of bargains included 2467

Treasury 13¾% Stk 2000/03 - £134⅞ (17Mr93)

Exchequer 10½% Stk 2005 - £120⅞ (15Mr93)

Corporation and County Stocks

UK Public Boards

Foreign Stocks, Bonds, etc-(coupons payable in London)

Norway (Kingdom of) 5⅜% Nts 1997 (Br Y Var) - Y103.85 (16Mr93)

10½% Nts 1994 (Br£1000,10000&100000) - £104

PCO Finance Ld 8% Cnv Bds 2005 (Br£5000) - £76 (16Mr93)

Pacific Electric Wire&Cable Co Ld 3½% Bds 2001(BrS10000) - $113 (17Mr93)

Peninsular & Oriental Steam Nav Co 4¾% Cnv Bds 2002 - £129

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

Kleinwort Benson(Int) Fund Man Japanese Fund - $0.6457 (17Mr93)

KB GE Fund - £15.09♦

Strategic Inv Fd - £1.303 (12Mr93)

Int Equity Gwth Inc - £2.433♦ 2.604♦ 2.604002♦

Lowe Group PLC Ord £1 - £15⅝ 16 (16Mr93)

Le Riche's Stores Ld Ord £1 - £2.5 (17Mr93)

Leeds Fireclay Co Ld 4% 1st Mtg Debs(Reg) - £42

LIT Hldgs PLC A Cnv Red 1st Prf 10p - £0⅝ 0⅝

B Red 1st Prf 10p - £0.3 0.3

Lloyds Bank(Channel Islands) Lloydstrust World Investment Portfolio - £2.634

London Wall Hldgs PLC Ord £1 - £0.60125 0.6025 (17Mr93)

Mercury Fund Man.(Isle of Man) Mercury Int. Bond Fund - £0.86293

Merrett Hldgs PLC Ord 10p - £0.201875 0.22

Motik International Group PLC Ord 1p - £0.37

National Parking Corp Ld Ord 10p - £3½ (17Mr93)

Newspaper Publishing PLC Ord 1p - £1.4

North West Exploration PLC Ord 20p - 0⅜ (16Mr93)

Perpetual(Jersey) Offshore Emerging Co's - $4.1585 (12Mr93)

Offshore UK Growth - £2.1148

Porton International PLC Ord £1 - £7⅝ 7⅞ 8 (15Mr93)

Rangers Football Club PLC Ord 10p - £0.8 0.85

Sarasin(Guernsey) Globalsar Fergus £ Acc - £19.59 (12Mr93)

Scotia Holdings PLC Ord 10p - £7.8

Select Industries PLC Ord 2½p - £0.05 0.055 (17Mr93)

New Ord 7½p(2½p Regd) - £0.02 (16Mr93)

Severn River Crossing PLC 6% Index-Linked Deb Stk 2012 - £112⅛ (17Mr93)

Southern Vectis PLC Ord 10p - £0.175 (12Mr93)

Sun Oil Britain Ld Oil Royalty Stk Units 1p - £0⅝ 0.8

Sutton Harbour Hldgs Ld Ord 25p - £3.715 (16Mr93)

Thwaites(Daniel)& Co PLC Ord 25p - £1.6025

Treghur PLC Ord 5p - £0.15

T V-am PLC Ord 5p - 24 (16Mr93)

UAPT-Infolink PLC Ord 25p - £0.2

Wadworth & Co 6¼% Cum Prf £1 - £0.93

10% Cum Prf £1 - £1

Weetabix Ld "A" Non.V Ord 25p - £12.5

Young Group PLC Ord 10p - £0.045 (16Mr93)

Investment Trusts

Miscellaneous Warrants

USM Appendix

Rule 535(2)

RULE 535 (4) (a)

Bargains marked in securities where principle market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Aust. Foundation Inv 91.0 (16.3)
Bounty Invs £1.03 (15.3)
Dainippon Screen Manufacturing Y594.9 (16.3)
Keystone International £18.23 (12.3)
Kelim Malaysia Ord 22.0 (17.3)
Kullim Malaysia Ord (Malay Ord) M$1.56 (12.3)
Leighton Hldgs A$1.4 (12.3)
McCarthy Group $5.8 (16.3)
National Electronics (Consolidated) 3.0 (17.3)
Oil Search 32.0
Portman Mining A$1.4275
Regal Hotels (Hldgs) 7.0 (16.3)
Sappi Ltd $5.5
Selangor Coconuts 26.0 (16.3)

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FINANCIAL TIMES

Published in LONDON ● PARIS ● FRANKFURT ● NEW YORK ● TOKYO

INTERNATIONAL & BRITISH EDITORIAL, ADVERTISEMENT & CIRCULATION OFFICES

Bonn: Editorial Heussallee 2-10, Pressehaus 1/104, D-5300 Bonn. Telex:8869542. Tel: 0228-21 00 39.Fax223869

Bristol: Editorial, Advertising and Circulation Merchants House, Wapping Road, Bristol BS1 4RW. Tel: 0272 292565.Fax:0272 225974

Brussels: Editorial, Advertising and Circulation Rue Ducale 39 Hertogstraat, B-1000 Bruxelles. Editorial Telex: 23283. Tel: 02-512 9037 Advertising and Circulation Telex: 64219 Tel: 02-513 2816.

Buenos Aires: Editorial Edificio Safico Piso 7. No. 74 Avenida Corrientes 456, Codigo 1366, Buenos Aires. Tel: 01 394 7686.

Cairo: Editorial Flat 41, 19 Gabalaya Street, Zamalek Cairo Tel: 341 6548/341 6549 Telex. 4169 Fax: 341 6546.

Copenhagen: Advertising and Circulation Financial Times (Scandinavia) Vimmelskaftet 42A,DK-1161 Copenhagen-K.Denmark.Telephone(33)13 44 41.Fax(33)93 53 35.

Dublin: Editorial 20 Upper Merrion Street, Dublin 2. Tel: 762 071. Fax 762 125.

Edinburgh: Editorial and Advertising 37 George Street, Edinburgh EH2 2HN. Telex: 72484. Tel: 031-220 1199.Fax:031-220 1578.

Frankfurt: Editorial, Advertising and Circulation Nibelungenplatz 3,6000 Frankfurt 1 Tel:069-156850 Editorial Fax:069-5964542.Advertising Fax:069 5964481 Circulation Fax: 069 5964482

Geneva: Editorial Salle de Presse No1, Palais des Nations, Avenue de la Paix CH-1211 Geneva 10. Tel:(022)734 0426. Telex: 27760. Fax: (022) 733 7062. Advertising and Circulation 15 rue du Cendrier. CH-1201 Geneva. Tel: (022) 7311604.

Hong Kong: Editorial, 17a Shun Ho Tower, 24-30 Ice House Street, Central Hong Kong. Tel:845 3311 & 845 3312 Telex: 67940 FKHKO Fax: 868 4224. Advertising 17th Floor Ice-House Street, Central, Hong Kong. Tel: 868-2863/98 Fax: 537 1211.

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New York: Editorial, Advertising and Circulation 14 East 60th Street, New York 10022. Editorial Telex: 66390. Tel: 0212-752 7400. Advertising and Circulation Tel: 212-752 4500.Advertising Fax:212-319 0704.Circulation Fax.212-3082397.

Paris: Editorial, Advertising and Circulation Centre d'Affaires Le Louvre, 168 Rue de Rivoli, 75044 Paris Cedex 01. Telex: 220044. Editorial Tel:01033-1-4297 2000. Advertising Tel:01-1-4297 0621. Circulation Tel: 01- 4297 0623.

Rio de Janeiro: Editorial Avenida Rio Branco 45, Salas 2001-2003, Centro CEP 20090, Rio de Janeiro RJ Telex: 213 3593. Tel 021-263 8845.

Rome: Editorial, Via della Mercede 55, Rome 00187. Telex, 610032. Tel: 06-678 3314.

Stockholm: Editorial c/o Svenska Dagbladet, Raalambsvagen 7,10517 S-Stockholm. Telex, 17603. Tel: 08-618 6088.Fax: 08-619 2058

Sydney: Editorial Level 69, MLC Centre, Martin Place, Sydney, NSW 2000. Tel:238 2274, Telex: 23860 ATTN. F.T. Fax:232 6319 ATTN. F.T.

Tokyo: Editorial 11th Floor, Nihon Keizai Shimbun Building, 1-9-5 Otemachi, Chiyoda-ku, Tokyo. Fax: 3241 2854. Tel: 3241 2920/2959. Advertising Kasahara Building, 6-18 Uchikanda,1- chome, Chiyoda-ku, Tokyo. 101 Advertising Tel: 03-3295 4050.Fax: 03 3295 1264: Circulation Tel 03 3295 1711.Fax 03 3295 1712.

Washington: Editorial 1225 Eye Street N.W. Suite 910, Washington DC 20005, U.S.A. Tel:(202) 289 5474 Fax. 202 289 5475.

Zurich: Editorial Wiesenstrasse 9, 4th Floor, 8008 Zurich. Tel: 382 3090-1 Fax: 382 3092.

LONDON STOCK EXCHANGE

Equities put their faith in recovery

By Terry Byland,
UK Stock Market Editor

THERE WAS a strong rebound in share prices in London yesterday as investors chose to put their faith in prospects for economic recovery and to set aside those for further cuts in UK interest rates. Government bonds gave ground after the announcement of a slightly sharper rise than expected in February's Retail price index warned of inflationary pressure and apparently weakened the chances of another base rate cut for the time being.

The FT-SE Index rose 20.4 to 2,900.1, recovering an important support level and closing within 18 points of its Budget eve quotation. The investment emphasis swung back towards the cyclical sectors, with building and construction, motors, stores and merchant banking stocks all performing well.

Further demand for second line issues took the FT-SE Mid 250 index up 21.4 to another all-time high of 3,154.7. Of overall Seaq volume of 824.1m shares, around 63 per cent was in non-Footsie stocks.

Sharelink, the Birmingham-based broker which claims a large share of UK private client business, said yesterday that private investors had been strong buyers of equities this week. The big institutions, more concerned with the Budget changes in Advance Corporation Tax and dividends on overseas corporate earnings, remained subdued yesterday. NatWest Securities said yesterday that holders of around 45 per cent of UK equities could be affected by the changes in treatment of payments on overseas earnings.

Traders stressed that technical factors distorted the equity sector. Mid-morning brought expiry of the March futures contract on the FT-SE Index, when the big securities houses juggled their holdings between the futures contract and the underlying blue chip securities. At the close, New York was looking wary of repeating its strong overnight performance as it awaited the Triple Witching hour, when a clutch of derivatives contracts expire together.

After some initial hesitation, the stock market moved ahead following completion, without undue strain, of the futures and options expiry. News that headline inflation had recorded an annualised increase of 1.8 per cent last month failed to check equities, although the figure was at the high end of analysts' forecasts and undermined hopes that the Budget might also have brought a cut in UK base rates.

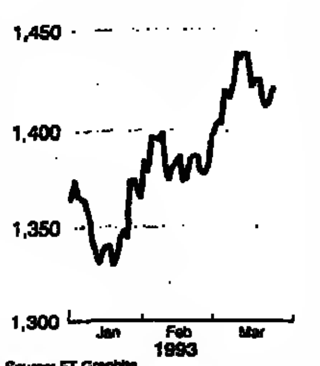
Government bonds fell by around ¾ on inflation nerves, with only Index-linked steady. But equity strategists preferred to focus on this week's unemployment, retail sales and industrial output data as evidence of economic growth.

Account Dealing Dates

First Dealings:	Mar 1	Mar 15	Mar 29
Option Declarations:	Mar 11	Mar 25	Apr 15
Last Dealings:	Mar 12	Mar 26	Apr 16
Account Day:	Mar 22	Apr 5	Apr 26

*New time dealings may take place from 8.30am two business days earlier.

FT-A All-Share Index



Source: FT Graphite

Optimism boosts retailers

STORES group Marks and Spencer led a revival in high street retailer stocks as the sector responded to several factors to move ahead sprightly. Strong sterling encouraged confidence that the much-vaunted economic recovery was now showing through. Clothing retailers were also responding to figures earlier this week which indicated that womenswear sales in January had grown by 22 per cent and footwear hy 23 per cent.

M&S jumped 10 to 359p in hefty turnover of 6.2m. Specialists said the stock was benefiting from talk in the market that February sales had been buoyant. Elsewhere, Argos added 7 to 305p, Burton Group 2½ to 83p with 7.2m traded, Great Universal Stores 33 to 1665p, Next 4½p to 161p and Sears 4 to 102p.

Howaver, some dealers pointed out that stock shortages had been behind some of the rises and that technical corrections may follow.

C&W wanted

Positive naws emanating from Cahla and Wireless (C&W) was said to be behind two profit upgrades hy brokers yesterday, sending the shares sharply forward. BZW raised its 1993 forecast hy £15m to £810m, and a further £20m to £990m the year after. One other leading broker also raised its forecasts, according to dealers.

C&W has been reporting increased interest among new domestic and business subscribers for Mercury telephone system users, with the number of new customers estimated by analysts to have risen by about 30 per cent a month in the group's second half. Mercury's aim to have two million customers by the middle of 1995 is now within range, according to telecoms specialists.

That trend is likely to accelerate when Mercury introduces its "Easy Access" system in April, allowing subscribers to use Mercury from telephones without the special blue Mercury button. C&W shares advanced 20 to 725p in turnover of 2.8m.

TI upset

Shares in UK engineering company TI Group were hit by reports that Continental Airlines, the fifth largest US carrier, which filed for Chapter 11 protection in December 1990, was about to formally cancel an order for 20 Airhus aircraft.

TI's subsidiary Dowty Group, acquired by the company last year after a hitter takeover contest, makes the landing equipment for the aircraft. Continental was also known to have had an option on a further 26 aircraft.

The shares fell sharply in response and at the day's worst were down 15 at 308p. Analysts however pointed out that the decision would not be a surprise and, coupled with the strong market trend, the stock recovered to close a net 5 lower at 318p, with turnover having risen to 5.3m.

Insurance and pension group Legal & General, whose results on Thursday checked the market, moved forward, adding 8 to 489p, after BZW upgraded current year profit expectations.

The securities house increased its 1993 figure by £10m to £174m, and has now pencilled in £203 for the following year. Sentiment was improved further when BZW also advised investors to switch Prudential and into Legal & General. Shares in Prudential responded by falling 5 to 334p.

In a perky huilding sector, Marley continued its strong run following its results this week. The shares gained 6 to 120p. Spring Ram, which more than halved in price on Thursday following a profits warning, recovered to close 9½ ahead at 73p in turnover of 18m.

Selected leisure stocks also benefited from a mood of recovery among investors. Granada Group gained 5 to 371p, buoyed by continued talk that it is poised to buy a big stake in Yorkshire Television.

Ladbroke added 8 to 205p as NatWest Securities said "buy". The broker believes the group will gain from changes to the rate of ACT and the proposed designation of foreign income dividends. As a result, NatWest raised its EPS forecast by 6 per cent. Forte rose in sympathy, up 4 to 202p. First Leisure jumped 8 to 370p.

Brewing stocks, which had languished after the Budget, also caught the revivalist mood. Bass rose 8 to 585p, Allied Lyons 10 to 574p and Whitbread 'A' 13 to 479p.

The reports about Continental Airlines were said to have checked the advance of British Aerospace from where analysts emerged from a visit with a positive view about the prospects for the Rover car subsidiary. Following an initial retreat, the shares closed unchanged at 280p.

Crédit Lyonnais Laing was said to have raised concerns about the accounting methods at Siebe, and was also reported to have executed an overnight sell order in the engineering group. However, another securities house also had a large line of stock on its books. The shares gave up 9 to 472p.

Speculation that GKN would soon be on the receiving end of an £800m order for its Warrior armoured vehicle from Kuwait helped the shares advance 8 to 476p.

A press article on Manoplax helped maintain momentum in Boots. The shares jumped 15 to 527p as the stock also continued to bask in press speculation that the OTC market is to be restructured in favour of the larger prescription drug companies.

WH Smith was unsettled by a sell note from NatWest Securities, the 'A' shares falling 6 to 434p.

Food retail stocks nursed a hangover from the hearish note struck by BZW on Thursday, the hroker turning cautious about food price inflation costs. Kwik Save was the worst casualty, retreating 9 to 824p. Asda hucked the trend as NatWest Securities reiterated their positive stance, the shares up a half penny to 75½p. J Sainsbury bounced back, jumping 10 to 525p.

Turnover in Hanson rose to 11m following its subsidiary Peabody's settlement with construction group Costain. Shares in Hanson closed 2 up at 238½p, while Costain improved 4 to 35p.

Oil shares closed an eventful Budget week with share prices under some pressure as profits were taken and sterling strengthened against the dollar.

British Petroleum traded fairly calmly at 13m shares and managed to hold on to the overnight quotation of 300p. Similar factors inhibited Shell which gave up 4 to 568p in unimpressive trade of 3.8m shares.

There was activity in Lasmo, which at first gained ground but then turned off as a seller appeared. Turnover of 5.1m shares left Lasmo 3 down at 183p.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo.

■ Other market statistics, Page 9.

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (128).
BRITISH FUNDS (24) Tr. 10pc '01, Tr. 8pc '02-06, Tr. 9pc '08, Tr. 8pc '09, Cv 9pc '11, Do C. Tr. 9pc '12, Tr. 5½pc '08-12, Tr. 7¾pc '12-15, Ex. 12pc '13-17, Tr. 8¾pc '17, Consols 4pc, Consols 2½pc, Treas 2½pc, Tr 2½pc IL '01, Tr. 2½pc IL '03, Tr. 2pc IL '06, Tr 2½pc IL '09, Tr. 2½pc IL '11, Tr. 2½pc IL '13, Tr. 2½pc IL '16, Tr. 2½pc IL '20, Tr. 2½pc IL '24, Tr. 4⅛pc IL '30, BANKS (2) Allied Irish, Bank Ireland, BREWERS (2) Greene King, Holt, BLDG MATLS (1) Anglian, BUSINESS SERVS (2) Davis Service, Serco, CHEMS (1) Yule Catto, CONTG & CONSTRCN (3) Abbey, Barratt Dev., Berkeley, ELECTRICALS (1) Jones Stroud, ELECTRICITY (1) Scot. Hydro, ELECTRONICS (7) Diploma, Electrocomps., Eurotherm, Farnell, Learmonth & Burchett, Racal, Telemetrix, ENG GEN (4) Clyde Blowers, Fairey, Molins, Ransomes 8¼pc Pf., FOOD MANUF (2) Avonmore, Borthwicks, FOOD RETAILING (1) Nurdin & Peacock, HEALTH & HSEHOLD (2) Amersham, Bespak, HOTELS & LEIS (5) Barr & WAT A, Compass, First Leis., Pelican, Sleepy Kids, INSCE COMPOSITE (2) Sun Alliance, USF & G, INSCE LIFE (2) Irish Life, Lon & Manchester, INV TRUSTS (9) First Ireland, Euro. Smaller Wts., Greenfriar Inv., Martin Currie Euro., Mid Wynd, Northern Investors, Second Cons., TR Euro. Gwth. Subs., Trust of Prop., MEDIA (6) Anglia TV, Aveeco, Johnston Press, LWT 5.90625p Pf., MMI, Southnews, Utd. News., Walmoughs, MERCHANT BANKS (4) Hambros, Do 7½pc Pf., Schroders, Do N/V, MISC (6) Brit. Bloodstock, O1 Southern, Nobo, Osborne & Little, Portmeirion Potts., MOTORS (2) SBA, Do 8¾pc Pf., OIL & GAS (3) Bridge, Calor, Monument, OTHER FINCL (2) BWD, Cattle's, OTHER INDLS (2) Hewitt, Suter, PACKG, PAPER & PRINTG (1) Capital Inds., PROP (15) Bilton, Bradford, Chesterfield 5¼pc Pf., Daejan, Debenham Tewson, Frogmore, Grainger, Gt. Portland 9½pc Cv '02, Helical Bar, Do 5¼pc Pf '12, Land Sec., Molyneux, Town Centre, Trafford Park, Wood (JD), STORES (4) Brown (N), Burton, Courts, Moss Bros., TEXTS (2) Baird, Celestion, TRANSPORT (2) P & O Defd., Tibbett & Britten, WATER (3) Northumbrian, Thames, Wessex, MINES (4) Monarch Res., Normandy Poseidon, Nth. Broken Hill, St Barbara.

NEW LOWS (3).
HEALTH & HSEHOLD (2) Glaxo, Lilly (E)
MISC (1) Erskine House.

EQUITY FUTURES AND OPTIONS TRADING

THE EXPIRY of hoth the March futures contract and the March index options was the main feature in an active derivatives sector, writes Joel Kibazo.

Early selling caused initial weakness in both the March and June contracts on the FT-SE which opened at 2,880 and 2,897 respectively.

However, the selling soon dried np leaving both contracts to move into positive territory ahead of the expiry of March. This occnred between 10.10am and 10.30 with March finishing at 2,895.5 on turnover of 6,066 lots.

Strong huying of June saw it reach 2,930 ahead of the opening on Wall Street before it succumhed to a bout of profit-taking. The contract closed at 2,910, two points above its fair valoe preminm to cash of about 9 points. Volome was 11,490 contracts.

Traded options saw the expiry of the March index options. Total volume was 30,608 of which 7,221 lots were in the FT-SE 100. United Biscuits was the most active stock option with 3,846 trades.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

FINANCIAL TIMES EQUITY INDICES

	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Year ago	High	Low
Ordinary share	2266.6	2247.3	2249.6	2273.3	2269.8	1916.5	2299.5	1670.0
Ord. div. yield	4.34	4.38	4.37	4.32	4.32	4.70	5.34	4.23
Earning yld % full	6.05	6.10	6.15	9.67	6.67	6.64	-	-
P/E ratio net	20.63	20.45	20.25	20.53	20.52	19.08	21.01	15.79
P/E ratio nil	19.05	18.88	18.72	18.97	18.97	18.16	-	-
Gold Mines	161.2	97.9	97.1	97.7	98.6	123.4	160.6	66.6

*for 1992/93. Ordinary share index since compilation high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines Index since compilation high 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35. Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2246.8	2242.5	2256.2	2264.3	2265.4	2270.3	2270.6	2271.2	2268.1	2271.9	2241.1

Volume	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Year ago
SEAQ Bargains	37,797	33,613	32,418	32,193	38,937	33,120
Equity Turnover(£m)†	-	1458.7	1403.1	1301.2	1203.5	1048.0
Equity Bargains†	-	39,438	35,980	37,334	43,608	37,191
Shares traded (mil)†	-	632.3	577.1	508.1	502.2	494.2

† Excluding intra-market business and overseas turnover

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate 48p at all other times

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since December 31 1992 based on Friday March 19 1993

Gold Mines Index	+	58.37	Insurance Brokers	+	8.14
Merchant Banks	+	28.33	Business Services	+	7.95
Property	+	25.17	Oil & Gas	+	7.70
Metals & Metal Forming	+	21.61	Chemicals	+	7.01
Engineering-Aerospace	+	18.37	Transport	+	8.79
FT-SE SmallCap ex Inv Tst	+	15.99	Insurance (Composite)	+	6.53
Insurance (Life)	+	15.85	Electricals	+	6.50
FT-SE SmallCap	+	15.27	Other Groups	+	5.33
Contracting, Construction	+	15.23	Other Industrials	+	5.06
Financial Group	+	12.86	FT-A All-Share	+	4.22
Electronics	+	11.45	Hotels & Leisure	+	3.95
Banks	+	10.92	FT-SE-A 350	+	3.60
Water	+	10.40	Conglomerates	+	3.42
FT-SE Mid 250	+	10.19	Telephone Networks	+	3.23
Building Materials	+	9.93	"500" Share Index	+	2.69
Electricity	+	9.75	Media	+	2.68
Engineering-General	+	0.71	Industrial	+	2.12
Capital Goods	+	9.47	FT-SE 100	+	1.88
Textiles	+	9.99	Stores	+	1.33
Food Manufacturing	+	8.63	Food Retailing	-	0.23
Investment Trusts	+	8.49	Consumer Group	-	2.67
Motors	+	8.29	Brewers & Distillers	-	5.33
Packaging, Paper & Printing	+	8.26	Health & Household	-	14.88

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		16.000	10/02	118.5795	+6.664	7.54	7.65	8.42
BELGIUM		9.000	03/03	111.6050	-0.130	7.32	7.30	7.76
CANADA *		7.250	06/03	96.4500	+8.300	7.47	7.49	7.70
DENMARK		6.000	05/03	98.1500	+0.175	8.12	8.22	8.72
FRANCE	STAN	8.000	05/98	103.6208	+8.125	7.12	7.15	7.79
	OAT	8.500	04/03	108.1500	+0.216	7.32	7.38	7.69
GERMANY		7.125	12/02	103.3850	-0.116	6.63	6.56	6.92
ITALY		11.500	03/03	94.9700	-0.090	12.77†	12.86	12.95
JAPAN	No 119	4.800	06/99	104.2095	+0.048	3.96	3.73	3.98
	No 145	5.500	03/02	109.9993	+0.357	3.99	3.98	4.17
NETHERLANDS		7.000	02/03	102.8100	-0.270	6.60	6.47	6.86
SPAIN		10.300	06/02	94.2627	+0.005	11.31	11.34	11.52
UK GILTS		7.250	03/98	102-21	-5/32	6.63	6.48	6.74
		8.000	06/03	52-27	-3/32	7.61	7.56	7.84
		9.000	10/08	107-21	-11/32	8.15	8.10	8.36
US TREASURY *		6.250	02/03	102-05	-1/32	5.98	6.03	6.32
		7.125	02/23	104-04	+12/32	6.80	8.82	7.12
ECU (French Govt)		8.000	04/03	103.8000	-	7.45	7.50	8.07

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	12	60	5	151	173	61
Other Fixed Interest	5	4	6	22	20	33
Commercial, Industrial	368	224	819	1,517	1,329	4,221
Financial & Property	181	117	498	758	768	2,452
Oil & Gas	17	23	44	104	91	223
Plantations	0	1	7	3	3	34
Mines	34	22	80	170	149	365
Others	18	60	42	134	282	207
Totals	635	511	1,501	2,859	2,815	7,596

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100 2900.1 +20.4 | **FT-SE MID 250 3154.7 +21.4** | **FT-A ALL-SHARE 1421.34 +9.54**

	Mar 19	Day's change	Mar 18	Mar 17	Mar 16	year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd	1992/93 High	1992/93 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2900.1	+0.7	2879.7	2889.9	2919.3	2456.6	6.18	4.18	20.72	19.96	2957.3 8/3/93	2281.0 25/8/92	2957.3 8/3/93	986.9 23/7/84
FT-SE Mid 250	3154.7	+0.7	3133.3	3125.9	3118.9	2433.4	6.55	4.04	19.31	12.67	3154.7 19/3/93	2157.8 18/9/92	3154.7 19/3/93	1379.4 21/1/86
FT-SE-A 350	1438.5	+0.7	1428.5	1431.7	1442.4	1194.5	6.26	4.15	20.39	8.98	1457.1 8/3/93	1103.1 25/8/92	1457.1 8/3/93	664.5 14/1/86
FT-SE SmallCap	1572.05	+0.3	1566.60	1562.13	1564.69	-	5.16	4.02	27.08	7.33	1572.05 19/3/93	1363.79 31/12/92	1572.05 19/3/93	1363.79 31/12/92
FT-SE SmallCap ex Inv Trusts	1581.93	+0.4	1575.85	1571.55	1573.22	-	5.72	4.24	25.06	6.60	1581.93 19/3/93	1363.79 31/12/92	1581.93 19/3/93	1363.79 31/12/92
FT-A ALL-SHARE	1421.34	+0.7	1411.80	1414.57	1424.79	1181.44	6.20	4.14	20.70	6.75	1438.22 8/3/93	1086.13 25/8/92	1438.22 8/3/93	61.92 13/12/74
1 CAPITAL GOODS(211)	958.92	+0.9	949.88	950.73	956.22	795.61	5.81	4.40	22.54	6.78	962.44 8/3/93	664.23 9/9/92	1038.07 16/7/87	50.71 13/12/74
2 Building Materials(27)	977.30	+1.4	964.24	974.07	979.87	958.78	5.26	5.54	26.39	1.15	1121.52 11/5/92	617.65 9/9/92	1381.06 16/7/87	44.27 11/12/74
3 Contracting, Construction(29)	851.92	+2.5	831.18	825.47	822.47	888.53	2.76	5.62	60.00†	3.51	1069.64 11/5/92	485.72 9/9/92	1951.50 16/7/87	71.48 2/12/74
4 Electricals(14)	2725.48	+0.5	2712.66	2722.37	2744.78	2390.97	5.73	5.32	22.91	4.67	2774.68 4/2/93	1874.89 20/10/92	3040.80 8/9/89	84.71 25/6/62
5 Electronics(35)	2623.70	+1.3	2589.54	2583.75	2606.26	1811.53	6.08	3.26	20.82	15.46	2623.76 19/3/93	1656.98 13/1/92	2623.76 19/3/93	1229.01 8/10/85
6 Engineering-Aerospace(7)	351.04	—	350.89	352.08	356.64	339.56	10.08	4.35	12.64	1.03	408.18 20/5/92	243.47 24/11/92	502.42 13/6/90	243.47 24/11/92
7 Engineering-General(52)	563.22	-0.5	566.04	566.30	566.43	494.82	7.02	4.04	18.22	2.92	567.62 20/5/92	408.31 9/9/92	567.62 20/5/92	339.57 23/1/91
8 Metals & Metal Forming(11)	392.73	-0.5	394.73	393.54	392.26	337.42	4.42	3.34	32.89	0.55	394.73 18/3/93	255.51 8/9/92	598.67 9/10/87	49.65 6/1/75
9 Motors(18)	408.09	+1.4	402.36	400.17	398.56	318.11	5.19	5.75	27.59	4.08	408.60 3/2/93	274.42 1/9/92	411.42 13/10/87	19.91 6/1/75
10 Other Industrials(18)	2181.32	+1.2	2076.84	2077.92	2097.70	1608.78	5.64	4.16	21.70	27.78	2125.20 11/3/93	1480.17 9/9/92	2125.20 11/3/93	277.55 15/1/81
21 CONSUMER GROUP(232)	1714.31	+0.7	1702.35	1713.17	1733.28	1602.77	6.77	3.61	18.40	7.75	1773.10 4/1/93	1446.17 25/8/92	1773.10 4/1/93	61.41 13/12/74
22 Brewers and Distillers(28)	1987.96	+0.6	1976.16	2006.41	2035.54	2001.17	8.12	3.87	15.06	10.48	2278.85 11/5/92	1812.14 5/10/92	2278.85 11/5/92	69.47 13/12/74
25 Food Manufacturing(22)	1444.28	+1.6	1430.34	1430.61	1438.69	1238.37	7.12	3.72	17.75	5.62	1471.34 10/3/93	1064.95 10/9/92	1471.34 10/3/93	59.67 11/12/74
26 Food Retailing(18)	3253.31	+0.7	3231.97	3274.68	3294.23	2543.15	7.81	3.23	16.65	2.51	3427.94 28/1/93	2293.80 10/1/92	3427.94 28/1/93	54.25 11/12/74
27 Health & Household(29)	3636.02	-0.3	3647.81	3709.33	3795.26	4138.78	6.37	3.28	18.15	22.51	4654.94 14/1/92	3636.02 18/3/93	4654.94 14/1/92	175.38 28/5/80
29 Hotels and Leisure(20)	1344.61	+1.1	1330.17	1324.42	1336.51	1264.27	5.96	5.12	22.44	14.48	1450.36 13/5/92	858.80 16/9/92	1845.77 8/9/89	54.83 9/1/75
30 Media(33)	1881.98	+0.6	1870.65	1860.65	1871.98	1512.36	5.48	2.91	22.68	10.03	1909.89 9/3/93	1376.55 25/8/92	1909.89 9/3/93	1156.91 16/1/91
31 Packaging and Paper(23)	849.43	+0.9	842.24	838.45	849.65	745.83	6.05	3.73	20.35	0.93	875.53 13/5/92	633.17 16/9/92	875.53 13/5/92	43.46 6/1/75
34 Stores(39)	1182.40	+2.6	1158.78	1156.05	1163.48	1004.32	8.12	3.08	21.67	3.02	1182.40 19/3/93	907.06 25/8/92	1182.40 19/3/93	52.63 6/1/75
35 Textiles(20)	819.38	—	819.15	804.96	806.26	635.05	6.08	3.99	20.80	2.68	819.38 19/3/93	551.94 25/8/92	814.52 2/10/87	62.66 11/12/74
40 OTHER GROUPS(142)	1522.36	+1.0	1507.92	1509.77	1521.63	1175.49	8.02	4.36	15.37	7.42	1545.50 8/3/93	1140.58 3/4/92	1545.50 8/3/93	58.63 6/1/75
41 Business Services(27)	1648.45	—	1648.33	1654.01	1663.11	1297.09	5.44	3.20	22.87	0.86	1697.14 8/3/93	1160.34 1/9/92	1697.14 8/3/93	892.28 1/2/91
42 Chemicals(23)	1532.84	+1.1	1516.36	1508.67	1526.70	1438.79	5.75	4.79	22.15	19.93	1629.99 8/5/92	1243.05 1/9/92	1629.99 8/5/92	71.20 1/12/74
43 Conglomerates(11)	1440.44	+0.9	1427.28	1433.27	1460.25	1328.46	7.23	5.56	15.64	13.31	1536.59 8/3/93	1087.92 2/9/92	1819.46 11/8/89	975.16 10/11/87
44 Transport(18)	2965.93	+0.8	2941.85	2945.63	2961.91	2330.06	7.21	4.02	16.78	7.23	2971.50 10/3/93	2133.26 26/8/92	2971.50 10/3/93	90.80 29/6/62
45 Electricity(16)	1735.50	+0.1	1734.39	1734.50	1719.82	1104.60	12.49	4.38	10.28	16.54	1755.48 11/3/93	1044.63 7/4/92	1755.48 11/3/93	994.96 7/1/91
46 Telephone Networks(4)	1743.61	+1.7	1715.34	1724.57	1758.91	1323.67	7.55	3.92	17.25	1.63	1807.78 8/3/93	1274.20 3/4/92	1887.78 8/3/93	517.92 30/11/84
47 Water(13)	3618.49	+0.2	3609.48	3588.33	3548.50	2231.80	12.49	4.90	8.89	11.83	3618.49 19/3/93	2140.95 8/4/92	3618.49 19/3/93	1820.20 1/5/90
48 Miscellaneous(32)	2501.69	+1.5	2464.07	2465.74	2478.84	1863.15	6.47	4.32	19.27	2.44	2533.67 22/12/92	1770.94 3/1/92	2533.67 22/12/92	60.39 6/7/75
49 INDUSTRIAL GROUP(585)	1471.44	+0.6	1459.26	1464.46	1478.13	1284.78	7.02	3.98	17.79	7.51	1490.80 11/3/93	1168.49 1/9/92	1490.80 11/3/93	59.01 13/12/74
51 Oil & Gas(18)	2426.62	+0.2	2422.85	2446.55	2437.49	1995.42	5.71	5.25	22.78	23.60	2446.55 17/3/93	1756.72 7/8/92	2528.70 3/8/90	87.23 29/5/62
58 "500" SHARE INDEX(803)	1558.15	+0.8	1546.40	1552.84	1565.26	1333.15	6.88	4.11	18.22	8.72	1577.14 11/3/93	1228.86 26/8/92	1577.14 11/3/93	63.49 13/12/74
61 FINANCIAL GROUP(89)	992.15	+0.3	989.22	979.31	982.55	892.27	3.07	4.52	61.98	9.20	1002.62 9/3/93	631.13 25/8/92	1002.62 8/3/93	55.88 13/12/74
62 Banks(9)	1329.71	+0.2	1327.58	1322.49	1324.65	875.07	4.69	4.32	31.73	17.16	1383.46 8/3/93	790.95 3/4/92	1383.46 8/3/93	62.44 12/12/74
65 Insurance (Life)(6)	2051.21	-0.3	2056.94	2018.90	2048.73	1386.02	2.47	4.46	71.48	2.10	2056.94 18/3/93	1243.61 8/4/92	2056.94 18/3/93	44.88 2/1/75
66 Insurance (Composite)(7)	672.44	+0.6	668.50	659.08	666.44	446.20	‡	4.92	‡	7.39	672.44 19/3/93	418.66 27/7/92	768.11 29/12/89	43.96 13/12/74
67 Insurance Brokers(10)	841.66	+0.5	837.53	828.04	830.98	940.40	0.00	4.95	19.33	7.61	1031.35 27/1/92	527.43 25/8/92	1389.56 17/7/87	65.86 16/12/74
68 Merchant Banks(6)	647.17	+3.0	628.38	609.49	607.79	437.49	6.54	3.60	20.09	2.52	647.17 19/3/93	385.41 28/8/92	647.17 19/3/93	31.21 7/1/75
69 Property(28)	805.14	+0.3	802.85	784.34	777.41	677.57	6.97	5.21	18.56	1.35	805.14 19/3/93	464.71 16/9/92	1398.87 5/8/89	59.01 20/4/65
70 Other Financial(23)	346.42	—	346.56	346.21	346.50	236.15	6.33	5.02	20.76	1.61	349.40 10/3/93	215.81 2/9/92	803.48 16/7/87	33.29 17/12/74
71 Investment Trusts(107)	1454.86	+0.1	1453.23	1450.23	1459.68	1169.47	2.29	3.00	43.66	9.17	1479.90 8/3/93	1024.12 25/8/92	1479.90 8/3/93	71.12 13/12/74
99 FT-A ALL-SHARE(798)	1421.34	+0.7	1411.50	1414.57	1424.79	1181.44	6.20	4.14	20.70	8.75	1438.22 8/3/93	1086.18 25/8/92	1438.22 8/3/93	61.92 13/12/74

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	High/day	Low/day
FT-SE 100	2876.9	2869.5	2889.6	2897.2	2895.0	2901.5	2900.5	2902.8	2899.4	2900.1	2903.8	2868.2
FT-SE Mid 250	3134.6	3134.4	3140.2	3146.1	3148.7	3150.6	3152.1	3152.8	3153.4	3154.7	3154.7	3134.3
FT-SE-A 350	1427.5	1424.7	1433.0	1438.5	1436.0	1436.7	1438.6	1439.2	1438.1	1438.5	1439.7	1424.2

FT-SE Actuaries 350 Industry Baskets

											Prev close	change
Constrcn	1622.9	1623.9	1633.4	1642.2	1648.5	1653.9	1658.2	1659.0	1659.2	1660.5	1620.7	+39.8
Health & H	1094.6	1087.8	1092.0	1095.0	1095.7	1097.2	1096.2	1096.1	1095.0	1094.4	1098.1	-3.7
Water	1492.2	1490.5	1494.7	1492.2	1492.4	1493.4	1494.5	1493.3	1494.9	1495.2	1492.0	+3.2
Banks	1608.2	1605.3	1624.9	1626.0	1621.4	1623.9	1623.6	1621.1	1616.5	1616.0	1618.1	+2.0

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
FT-SE SmallCap	31/12/92	1363.79	Engineering - General	29/12/89	486.00	Other Financial	31/12/70	128.06
FT-SE SmallCap ex Inv Trust	31/12/92	1363.79	Water	29/12/89	1088.45	Food Manufacturing	29/12/67	114.13
FT-SE Mid 250	31/12/85	1412.60	Conglomerates	31/12/88	1114.07	Food Retailing	29/12/67	114.13
FT-SE-A 350	31/12/85	682.94	Telephone Networks	30/11/84	517.92	Insurance Brokers	29/12/67	96.67
FT-SE 100	31/12/83	1000.00	Electronics	30/12/83	1646.65	All Other	10/4/62	100.00
Business Services	31/12/90	999.65	Other Mineral Extraction	31/12/80	287.41	British Government	31/12/75	100.00
Electricity	31/12/90	999.85	Health/Household Products	30/12/77	261.77	Do. Index-linked	30/4/82	100.00
Media	31/12/86	1226.58	Other Groups	31/12/74	63.75	Debs & Loans	31/12/77	100.00
Engineering - Aerospace	29/12/89	486.00	Industrial Group	31/12/74	128.20			

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index and the FT-SE SmallCap Index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. © The Financial Times Limited 1993. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. Auditor: The WM Company.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F

Britannia Life Unit Managers Ltd (1200)F

Consistent Unit Tst Mngt Co Ltd (1200)F

Co-op Pension Fds UT Mgrs Ltd (1000)F

Crown Unit Tst Services Ltd (1200)F

Gartmore Fund Managers (1200)F

INVESCO MIM UT Mngrs Ltd – Contd.

MGM Unit Managers Ltd (1000)F

NM Unit Trust Mngrs – Contd.

Reliance Unit Mgrs. Ltd (1000)H

Rock Asset Mgmt (Unit Trust) Ltd (0905)F

Rothschild Fund Management (1000)F

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

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Sharp (Albert E) & Co (1000)F

Admin: 5 Rayleigh Rd Hutton, Brentwood Essex

Shepards Unit Trust Mngmt Ltd (1200)F

1 White Hart Yard, London Bridge SE1

Singer & Friedlander UT Mgmt Ltd (1000)F

Smith & Williamson Unit Tst Mgrs (1600)F

Societe Generale Tyndall Remnant (1200)F

Whittingdale Unit Tst Mgmt Ltd (0830)F

2 Honey Lane, London EC2V 8BT

Woolwich Unit Trust Managers Ltd (1700)H

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Baring Investment Mngmt Ltd

James Capel Fund Managers Ltd

Cent. Bd. of Fin. of Church of England

2 Fore Street, London EC2Y 5AQ

Charities/Charishares (1000)F

INSURANCES

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Prolific Life & Pensions Ltd

Property Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life Assurance Co Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tyndall Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assce Co Ltd

Westwich Life Assurance Co Ltd

Zurich Life Assurance Co

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

CMI Insurance Co Ltd

Century Life International Ltd

Equitable Life (International)

Eagle Star Intl Life

Fidelity ...

Hansard International Ltd

Isle of Man Assurance Ltd

PanEuroLife

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Capital Trust Financial Management

Chase de Vere PLC

Fairmount Financial Services Ltd

Forbes & Braithwaite Ltd

Hurstminster Financial Services

IPS Capital Management PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macartney & Rowle Invest Mngt Plc

Northern Bligh & Partners

Pendleton May Financial Services Ltd

Roxborough Financial Management Ltd

Charles Stanley & Co Ltd

United Financial Corporation Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Lloyd George Management

Newport Investment Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

Hambros Fd Mgrs — Contd.

Kleinwort Benson Intl Fd Mgrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

Lion Works Fixed Income Fund

M & G (Guernsey) Ltd

Royal Bank of Canada Offshore Fd Mgrs Ltd

Rothschild Asset Management (CI) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

Federated International Funds Plc

GAM Fund Management Ltd

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

Bank of Ireland Unit Managers Ltd

Baring International Fd Mgrs (Ireland) Ltd

Baring Mutual Fund Mngmt (Ireland) Ltd

Chemical Fund Administrators Ltd

GT Asset Management (Ireland) Ltd

Morgan Grenfell Investment Funds Ltd

Prolific International Fund Plc

Swiss Life Investment Fund (s)

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund

Gartmore Fund Managers (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

ATC Fund Management (IoM) Ltd

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

John Govett Management (IoM) Ltd

IBI Global Funds Limited

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B & H Fund Managers Ltd

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

US MARKETS (3 pm)

CANADA (3 pm)

AUSTRIA

FRANCE

GERMANY (continued)

NETHERLANDS

SWEDEN (continued)

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

ITALY

NORWAY

SPAIN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA (continued)

HONG KONG

MALAYSIA

SINGAPORE

INDICES

NEW YORK

DOW JONES	Mar 18	Mar 17	Mar 16	Mar 15	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3465.64	3426.74	3442.95	3442.41	3478.34 (10/3/93)	3136.58 (9/10/92)	3478.34 (10/3/93)	41.22 (8/7/32)
Home Bonds	106.58	106.53	106.35	106.33	106.58 (18/3/93)	98.41 (20/3/92)	106.58 (18/3/93)	54.99 (1/10/81)
Transport	1534.01	1517.29	1536.63	1538.04	1599.61 (8/2/93)	1204.40 (26/8/92)	1599.61 (8/2/93)	12.32 (8/7/32)
Utilities	238.87	237.61	237.79	236.90	241.99 (10/3/93)	200.74 (8/4/92)	241.99 (10/3/93)	10.50 (8/4/32)

DJ Ind. Day's High 3486.17 (3459.35) Low 3427.01 (3408.91) (Theoretical♠)
Day's High 3477.26 (3444.84) Low 3426.74 (3422.98) (Actual♠)

STANDARD AND POOR'S

	Mar 18	Mar 17	Mar 16	Mar 15	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	451.88	448.31	451.37	451.43	456.33 (10/3/93)	394.50 (8/4/92)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials¶	519.64	515.30	518.84	518.85	524.99 (10/3/93)	470.91 (8/4/92)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	44.91	44.63	44.98	44.93	45.43 (10/3/93)	32.40 (8/4/92)	45.43 (10/3/93)	8.64 (1/10/74)
NYSE Composite	249.12	247.33	248.81	248.97	251.36 (10/3/93)	217.92 (8/4/92)	251.36 (10/3/93)	4.46 (28/4/42)
Amex Mkt. Value	421.12	420.48	423.08	422.94	423.08 (16/3/93)	364.85 (9/10/92)	423.08 (16/3/93)	29.31 (9/12/72)
NASDAQ Composite	687.41	687.40	695.47	695.21	708.85 (4/2/93)	547.84 (26/6/92)	708.85 (4/2/93)	54.87 (31/10/72)

	Mar 12	Mar 5	Feb 26	year ago (approx.)
Dow Industrial Div. Yield	2.98	2.99	3.02	2.84

	Mar 17	Mar 10	Mar 3	year ago (approx.)
S & P Industrial div. yield	2.49	2.44	2.48	2.61
S & P Indl. P/E ratio	26.13	26.62	26.15	28.91

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Merck	4,671,400	36¼	- ⅛
Ford Motor	4,447,100	51½	+ 2¾
Chrysler	3,420,166	39¾	+ ½
Glaxo	3,297,200	16¼	...
Anheuser	2,911,400	52½	+ 1¾
West Digital	2,718,600	5⅝	- ⅜
Gen Insts	2,679,900	30¾	- ½
Am Express	2,484,000	27⅞	+ ⅜
Syntex	2,391,800	18⅛	- ¼
Philip Morris	2,172,100	63⅞	- ⅜

TRADING ACTIVITY

† Volume (Millions)	Mar 18	Mar 17	Mar 16
New York SE	240.460	237.850	217.730
Amex	20.678	19.324	15.889
NASDAQ	(u)	245.085	229.288
NYSE			
Issues Traded	2,471	2,482	2,461
Rises	1,255	723	939
Falls	647	1,161	989
Unchanged	569	598	603
New Highs	136	111	122
New Lows	14	19	11

CANADA

TORONTO	Mar 18	Mar 17	Mar 16	Mar 15	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2898.06	2879.69	2885.30	2888.00	3238.37 (16/1/92)	2529.91 (17/11/92)
Composite	3559.30	3540.90	3558.77	3562.05	3666.00 (16/1/92)	3195.40 (14/10/92)
MONTREAL Portfolio	1841.90	1833.36	1840.85	1838.02	1937.58 (16/1/92)	1653.16 (14/10/92)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

	Mar 19	Mar 18	Mar 17	Mar 16	1992/93 HIGH	1992/93 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1677.1	1669.6	1675.6	1658.3	1684.60 (22/5/92)	1357.20 (16/11/92)
All Mining (1/1/80)	658.3	657.6	659.2	652.1	735.80 (9/7/92)	545.40 (16/11/92)
AUSTRIA						
Credit Aktien (30/12/84)	346.48	349.61	349.69	352.08	458.57 (24/2/92)	281.41 (12/8/92)
Traded Index (2/1/91)	816.95	827.76	829.79	838.08	1090.43 (24/2/92)	692.86 (13/8/92)
BELGIUM						
BEL20 (1/1/91)	1254.84	1250.30†	1247.90	1245.40	1254.84 (19/3/93)	1046.07 (2/9/92)
DENMARK						
Copenhagen SE (3/1/83)	277.48	279.38	278.77	278.90	365.29 (15/1/92)	260.42 (28/10/92)
FINLAND						
HEX General (28/12/90)	1008.5	1012.2	985.2	962.0	1012.20 (18/3/93)	541.00 (7/9/92)
FRANCE						
CAC General (31/12/81)	524.55	525.86	527.27	529.23	555.93 (12/5/92)	441.70 (7/10/92)
CAC 40 (31/12/87)	1962.69	1968.52	1967.28	1975.25	2077.49 (11/5/92)	1611.04 (5/10/92)
GERMANY						
FAZ Aktien (31/12/58)	667.07	667.18	667.00	669.68	725.28 (28/5/92)	585.61 (12/10/92)
Commerzbank (1/12/53)	1990.90	1880.40	1879.50	1887.20	2043.60 (25/5/92)	1594.80 (12/10/92)
DAX (30/12/87)	1698.81	1686.19	1686.08	1697.63	1811.57 (25/5/92)	1433.30 (9/10/92)
HONG KONG						
Hang Seng Bank (31/7/64)	6068.34	6051.26	5958.33	5980.04	6508.09 (9/3/93)	4301.78 (2/1/92)
IRELAND						
ISEQ Overall (4/1/88)	1461.48	1421.90	(c)	1383.62	1469.57 (17/1/92)	1094.88 (19/10/92)
ITALY						
Banca Com. Ital. (1972)	488.66	497.22	492.74	502.42	551.59 (6/2/92)	354.93 (16/9/92)
MIB General (4/1/93)	1097.0	1096.0	1099.0	1109.0	1186.00 (3/3/93)	982.00 (11/1/93)
JAPAN						
Nikkei (16/5/49)	18537.17	18727.90	18173.37	17968.30	23801.18 (6/1/92)	14309.41 (18/8/92)
Tokyo SE (Topix) (4/1/68)	1488.66	1408.26	1385.86	1344.71	1763.43 (6/1/92)	1102.50 (18/8/92)
2nd Section (4/1/68)	1785.02	1761.54	1730.62	1717.70	2459.65 (6/1/92)	1502.77 (19/8/92)
MALAYSIA						
KLSE Composite (4/4/86)	638.33	640.24	640.39	637.79	660.35 (5/11/92)	546.63 (14/1/92)
NETHERLANDS						
CBS TtlRtn.Gen.(End 1983)	328.1	327.5	326.8	325.8	328.10 (19/3/93)	274.00 (6/1/92)
CBS All Shr (End 1983)	220.8	220.4	219.9	219.2	220.80 (19/3/93)	189.70 (25/8/92)
NORWAY						
Oslo SE (Ind) (2/1/83)	784.84	782.87	773.82	781.19	784.84 (19/3/93)	532.43 (25/8/92)
PHILIPPINES						
Manila Comp (2/1/85)	1453.72	1435.58	1458.04	1475.79	1590.95 (11/6/92)	1083.01 (17/3/92)
SINGAPORE						
SES All-Singapore (2/4/75)	417.13	418.26	417.23	415.53	421.37 (24/2/93)	351.41 (21/10/92)
SOUTH AFRICA						
JSE Gold (28/9/78)	1130.0¶	1077.0	1069.0	1077.0	1327.00 (21/1/92)	746.00 (10/11/92)
JSE Industrial (28/9/78)	4594.0¶	4474.0	4449.0	4445.0	4659.00 (4/6/92)	3936.00 (19/10/92)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	653.05	658.39	653.05	637.87	709.77 (9/1/93)	459.07 (21/8/92)
SPAIN						
Madrid SE (30/12/85)	(c)	236.15	234.95	235.58	288.51 (28/2/92)	179.48 (5/10/92)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1007.2	1016.0	1016.90	1317.00	1039.00 (8/3/93)	639.00 (5/10/92)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	965.6	953.3	946.1	950.4	965.60 (19/3/93)	749.50 (6/1/92)
SBC General (1/4/87)	741.9	733.6	726.3	727.5	741.90 (19/3/93)	506.40 (26/8/92)
TAIWAN**						
Weighted Price (30/6/66)	4509.92	4684.45	4511.62	4489.99	5391.63 (30/1/92)	3098.43 (6/1/93)
THAILAND						
Bangkok SET (30/4/75)	912.00	903.44	906.26	905.12	988.44 (25/1/93)	667.84 (19/5/92)
WORLD						
M.S. Capital Intl.(1/1/70) $	532.0*	528.5	521.1	520.7	542.10 (7/1/92)	467.50 (9/4/92)
Euro Top-100 (26/6/90)	943.44	942.04	937.48	940.15	978.55 (25/5/92)	772.52 (5/10/92)

**Saturday March 20: Taiwan Weighted Price 4,413.04, Korea Comp Ex. 634.84
¶ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

WORLD STOCK MARKETS

AMERICA

Dow is steady ahead of witching hour

Wall Street

US equity prices clung to narrow gains yesterday morning, as the market waited for the afternoon triple witching expiration of options and futures, *writes Karen Zagor in New York.*

At 1pm, the Dow Jones Industrial Average was 1.89 higher at 3367.53. The more broadly based Standard & Poor's 500, however, was off 0.39 at 451.50, while the Amex composite was up 0.46 at 421.58. The Nasdaq composite, which failed to keep pace with the big board's gains on Thursday, fell 2.90 at 684.51. Trading volume on the NYSE was almost 179m shares by 1pm, and declines outnumbered rises by 970 to 771.

The simultaneous expiration of stock index futures, index options and options on individual stocks had little impact on morning trading, although it generally creates volatility later in the day.

American Telephone & Telegraph held steady at $58¼ in active trading after announcing the surprise resignation of Mr Gilbert Williamson, chairman of its NCR computer unit.

Whirlpool slipped $1⅞ to $52⅞ after the company said that charges related to its wholly-owned financial services subsidiary would reduce first quarter after-tax earnings by $40m. The charges relate to a write-down of specific accounts, largely in its aerospace portfolio. In the first quarter of 1992, Whirlpool earned $35m, or 50 cents a share.

Drug company stocks remained active in NYSE trading. Merck eased $¼ to $36¼ and Glaxo Holdings was unchanged at $18¾.

Shares in Lewis Galoob Toys firmed $⅝ to $3¾ after it said that it plans to buy Diversified Specialist with financing from a two-year credit facility.

Ford added $¾ to a 52-week high of $51⅞, Chrysler slipped $⅛ to $39⅞ and General Motors rose $⅛ to $40.

In Nasdaq trading, shares in J.B. Hunt Transport plummeted $3⅞ to $18½ in heavy turnover after predicting lower-than-expected first quarter earnings because of bad weather and high fuel prices.

Digital Microwave jumped $⅞ to $11, a 52-week high, after Alex Brown increased its investment rating on the stock to "buy" from "hold". Alex Brown also reduced its predicted 1993 loss for the company.

Canada

TORONTO shadowed the light gains on Wall Street, with most investors focused on the implications of the Royal Bank of Canada's purchase of most of Royal Trustco's assets. By midday, the TSE-300 index was 9.21 higher at 3,568.60 in turnover of C$186m.

But Royal Trustco was a loser, diving 90 cents to C$1.00. The media sector received a boost from Southam which rose C$1⅞ or 13.6 per cent to C$15⅞ after it announced that Power Corp of Canada would buy 12.8m shares for C$180m.

EUROPE

Fiat speculation takes centre stage in Milan

ACTIVITY on the Continent was generally strong ahead of the weekend, *writes Our Markets Staff.*

MILAN turned its attention to Fiat after another report, this time in Business Week magazine, that it was about to sell a 40 per cent stake to Renault. The report was denied by both companies but, said Mr Guiseppe Bonini of intersim in Milan, after a week out of the news, the market was sensitive to stories about the motor group.

The latest report, following a 50 per cent rise in the Fiat share price over the last two months, which was not justified by fundamentals, had left investors again thinking that "an announcement of some sort must be on the way," he added.

Fiat gained L171 to settle at L5,597 before continuing to L5,820 after hours.

The rise was enough to spark a sharp early rally in a market that was also supported by the denial by President Oscar Luigi Scalfaro of reports that Prime Minister Giuliano Amato had come close to resigning. The Comit index closed down 0.56 at 496.66, or 3.4 per cent lower on the week.

Banca Commerciale, which the government has said it will privatise after Credito Italiano, led the downturn, falling L156 to settle at L4,530, before dropping to L4,464 after-hours.

FRANKFURT was slightly firmer on a day that was dominated by the expiration of options. However, the expected volatility in equities failed to materialise and the DAX index finished 2.62 higher at 1,698.81, down 0.5 per cent on the week. Turnover swelled to DM20.5bn from DM6.2bn.

Reaction to Thursday's cut in the discount rate was generally muted. Mr James Cornish of NatWest Securities in London commented that the course steered by the Bundesbank would allow "market rates in Germany and elsewhere to come down, probably with next week's repo. But it also conveys dissatisfaction with current levels of inflation and Bonn's efforts to cut spending."

Mr David Roche of Morgan Stanley added that while last weekend's solidarity agreement was good news for the market it was not enough "to address the underlying structural causes of Germany's recession". With construction workers currently seeking pay rises of some 7 per cent, further rate cuts, he noted, were unlikely unless there was a settlement of around 3-4 per cent and further progress in reducing inflation.

In the corporate sector Asko was one of the day's strongest performers with a rise of DM55 or 8 per cent to DM710 on slightly improved sales.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

March 19 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1148.15	1147.76	1147.56	1147.34	1146.55	1145.90	1145.88	1145.37
FT-SE Eurotrack 200	1223.24	1222.14	1223.42	1223.59	1223.98	1225.03	1224.48	1223.70

	Mar 18	Mar 17	Mar 16	Mar 15	Mar 12
FT-SE Eurotrack 100	1148.55	1146.10	1151.53	1153.62	1145.86
FT-SE Eurotrack 200	1222.53	1214.92	1222.33	1219.52	1212.44

Base value 1000 (26/10/90) Highday: 100 - 1148.44; 200 - 1227.82 Lowday: 100 - 1145.21 200 - 1222.14

PARIS went into the election weekend little changed on the day and the week: the CAC-40 index closing 0.83 lower at 1,962.69.

With a victory for the centre-right widely forecast analysts have turned their attention to the effect a new government will have on the markets. With the franc under pressure on the currency markets speculators are expected to mount further attacks next week when the country is in a transitional state ahead of the second round of voting on 28th March – volatility in equities may be expected.

Crédit Lyonnais CI's were active, rising FFr35 to FFr575 on speculation that a new government might seek changes at the top of the management structure.

Carnaud Metalbox was another high volume stock, although the shares closed just 90 centimes lower at FFr224.90 as bid hopes abounded. Elsewhere in second liners Skis Rossignol put on FFr91 or 9 per cent to FFr1,070 in very high volume which some analysts were unable to understand.

ZURICH derived strength from Thursday's move to lower domestic interest rates and a clutch of corporate results and the market closed at an all-time high. The SMI index rose 28.5 to 2,182.6, for a 0.8 per cent rise on the week.

"The market had not been expecting the SNB to follow the Bundesbank's lead and cut rates, but it proved a very positive move," said Miss Felicity Smith at Hoare Govett in London.

Holderbank bearers – the day's most active issue – gained SFr12 to SFr662 on better than expected 1992 figures.

Nestlé, reporting next Wednesday, saw its bearers rise SFr30 to SFr1,185.

Shares in machine maker Georg Fischer fell SFr15 to SFr760 after news of a 74 per cent plunge in 1992 profits and an announcement that the machine maker was omitting its dividend.

AMSTERDAM was slightly stronger, helped by a firmer dollar, and the CBS Tendency index gained 0.1 to 107.7, closing a good week 3.3 per cent higher. Ahold was among the losers as investors reacted to its announcement on Thursday of a 1-for-10 rights issue, slipping Fl 1.00 to Fl 94.40.

STOCKHOLM was heartened by signs that the opposition Social Democrats were willing to negotiate with the centre-right government over economic policy. The Affärsvärlden index ended 7.8 down at 1,007.2, for a weekly decline of 0.5 per cent.

DUBLIN's central bank cut short-term interest rates and the market responded with a rise in the ISEQ overall index of 39.58 or 2.8 per cent to 1,461.48.

COPENHAGEN was depressed by the suspension of Baltica, the country's biggest insurer, and the KFX index shed 0.73 to 80.83 in turnover of DKr493m.

SOUTH AFRICA

GOLD shares moved higher as local and foreign investors joined in a buying spree that began in New York overnight. The gold index rose 62 or 5.8 per cent to 1,139, boosting the overall index by 52 to 3,528. Industrials added 30 to 4,504.

Paris gathers pace on hopes of new rate cuts

Alice Rawsthorn finds that optimism is returning

At first glance the prospects for the Paris stock market are scarcely scintillating, given that a new government is poised to take power against a backdrop of high interest rates, a vulnerable currency, stagnant industrial output and a bad set of financial figures.

However, the CAC-40 index, which was stubbornly static last year, has already risen by about 8 per cent this year.

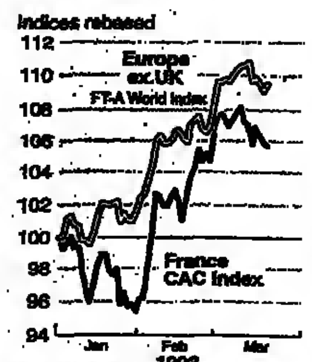
Most analysts are now confident that it will rise further during the rest of the year. "We are more optimistic about France than all the other major European markets," said Mr Richard Davidson, European equities strategist at Morgan Stanley in London. "The CAC-40 index has moved ahead in the first few months of this year and we'd expect it to rise as high as 2,300 by the year end."

Analysts base their optimism on the expectation that the Bundesbank will continue its policy of steadily reducing German interest rates, thereby allowing the French conservatives, who seem certain to return to power after the final round of voting in the parliamentary elections on March 28, to follow suit. That should alleviate the pressure on the economy, enabling it to return to recovery in early 1994.

At present France is under intense pressure because of the impact of high real interest rates – of about 8 per cent with bank base rates at 10 per cent and inflation running at 2.1 per cent – on consumer spending and industrial investment.

During the first half of last year, many French companies were able to compensate thanks to buoyant growth in exports. When the franc strengthened after the September currency crisis, they found it much more difficult to compete in the international marketplace.

A number of prominent French companies have recently reported 1992 results illustrating the negative impact of the strong franc. LVMH, the luxury goods group, this week confirmed a sharp fall in net profits partly because of adverse exchange rates. Renault almost doubled net profits to FFr5.7bn in 1992 but fell into the red in the final quarter of the year. Michelin and Peugeot-Citroën were also hit by the hard currency.



Source: FT Graphite

Meanwhile, the precarious state of the property market and the sharp rise in business failures have aggravated the problems of many financial groups. GAN, one of the largest insurers, warned on Wednesday of a collapse in net profits from FFr2.3bn in 1991 to only FFr400m last year. That followed reports of falls in profits from both Union des Assurances de Paris and the Axa group. The banks are also in a sickly state, with the market now braced for a grim announcement from Crédit Lyonnais, which has already disclosed that 1992 was its worst year for two decades.

The rate of real GDP growth in France fell in the final quarter of last year for the first time since the Gulf war. The Bank of France's business surveys suggest that industrial output probably fell in January and stabilised in February. That raises the threat of a second successive quarterly fall in real GDP during the first three months of this year, which would mean that the economy was technically in recession.

The stock market has already absorbed this gloomy news and is concerned more with the timing of future rate cuts, than with the present problems of French companies. "Sooner or later French rates will fall – hence the buoyancy of the market," concluded the latest analysis from Flemings Research. "The outstanding issue is how much damage will be done to the economy in the meantime."

Most analysts are confident that the 'damage' will be limited. The corporate sector does, after all, have the underlying advantage of relatively low debt levels and industry is also reaping the benefits of the high levels of investment during the late 1980s.

Moreover, France, thanks to the socialists' commitment to sustained low inflation, is likely to be able to make deeper interest rates cuts than other major economies. "There is more leeway [in France] for an easing of long rates than in the other Group 5 countries," said a recent report from Banque Indosuez in Paris.

The critical question is whether the new centre-right government will be as zealous in its attachment to the *franc fort* strategy of protecting the French currency as the socialists.

Most prominent conservatives have already made reassuring statements about the need to sustain a strong currency.

There is, however, a possibility that the new administration could come under pressure from the chauvinistic RPR faction led by Mr Charles Pasqua and Mr Philippe Séguin, who championed the anti-Maastricht campaign in last autumn's referendum.

That has triggered speculation that the next government might allow the franc to leave the ERM, if it comes under renewed market pressure. "The franc will still be a strong currency even if it does leave the ERM," said Mr Davidson of Morgan Stanley.

"There is a possibility of its floating for a while, but its true strength should then come out. It certainly isn't a negative influence over the market."

ASIA PACIFIC

Tokyo falls 1 per cent in cautious trade

Tokyo

INVESTORS adopted a cautious attitude in Tokyo, but Germany's rate cut together with expectations of more economy-boosting steps by the government underpinned the market, *Reuter reports from Tokyo.*

The Nikkei index fell 190.73 or 1.02 per cent to 18,537.17 – for a weekly rise of 2.7 per cent – in volume of 620m shares, compared with Thursday's 650m.

The market opened firmer following Thursday's rally, with the Nikkei peaking at 18,835.96, 108.06 points above Thursday's close, in early trade.

But the market lost steam in mid-morning in the wake of index-linked selling from investment trusts and profit-taking by institutional investors and the Nikkei dipped to an intra-day low of 18,503.16 in late afternoon trade.

Declining issues led advancers by nearly four to three, with 598 lower, 462 higher and 115 unchanged.

The Topix index of all first section stocks was down 1.57 to 1,406.69, while in London the ISE/Nikkei 50 index rose 6.05 to 1,128.82.

A firm yen was seen to discourage foreign investors while political uneasiness in Russia and North Korea also weighed on investors' minds. The market also awaited February preliminary money supply figures with many investors expecting to see modest growth.

Many large-capital steel issues gained on the firm yen. Nippon Steel rose Y12 to Y337 and NKK Y2 to Y271. Mitsubishi Heavy, however, fell Y5 to Y537.

Brokerages rose on better-than-expected earnings forecast revisions announced on Thursday.

Nomura gained Y50 to Y1,890, Nikko Y25 to Y870, Daiwa Y20 to Y1,100 and Yamaichi Y22 to Y673.

Construction shares were higher in anticipation of greater public works spending. Obayashi rose Y33 to Y570, Kajima Y21 to Y804, Shimizu Y16 to Y896 and Tobishima Y15 to Y551.

Roundup

PACIFIC Rim markets were mixed.

HONG KONG switched its attention away from politics, concentrating instead on encouraging earnings reports from some of the colony's biggest companies.

The Hang Seng index finished 37.08 higher at 6,083.34, 1.3 per cent lower on the week, in turnover of HK$2.8bn.

Swire Pacific gained 75 cents to HK$31.50, Cheung Kong dipped 10 cents to HK$21.90 and Hutchison Whampoa rose 30 cents to HK$16.10 in reaction to their earnings announcements late the previous day.

AUSTRALIA began strongly, taking its lead from Wall Street's overnight performance, but the rally was seen to run out of steam as the day progressed. The All Ordinaries index ended 7.5 higher at 1,677.1, little changed on the week, and showing turnover of A$287.3m.

Golds were strong, led by a 7 cent gain by Normandy Poseidon to A$1.51. TNT sold 27.7m options in Normandy, completing its exit from the group.

News Corp rose 9 cents to A$7.68 on news that it had filed a shelf offering of up to US$1bn of debt securities with the US Securities and Exchange Commission.

SINGAPORE closed easier but above the day's low after weakening on rumours that deputy Prime Minister Lee Hsien Loong's health was worsening.

The Straits Times Industrial index fell by 17 points at one stage but rebounded to end 4.01 lower at 1,664.78, little changed on the week.

NEW ZEALAND staged a subdued advance which left the NZSE-40 index 9.94 ahead at 1,590.27 but in low turnover of NZ$21m.

Air New Zealand continued to fare badly, the A shares ending down 6 cents at NZ$1.88, a 24 per cent decline since February 1.

BOMBAY's BSE index fell 16.82 to 2,376.76 as many investors continued to liquidate holdings built up before last month's budget.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	THURSDAY MARCH 18 1993: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY MARCH 17 1993: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium (42)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada (113)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark (33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France (98)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany (62)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong (55)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy (73)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan (472)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia (69)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mexico (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherland (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Singapore (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Africa (60)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain (46)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden (36)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland (56)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom (226)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
USA (522)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe (775)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic (114)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Basin (715)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Euro-Pacific (1490)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America (635)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe Ex. UK (549)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Ex. Japan (243)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. US (1681)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. UK (1977)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. So. Af. (2143)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. Japan (1731)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
The World Index (2203)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS — **BRITISH FUNDS - Cont.** — **BRITISH FUNDS - Cont.**

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

AMERICANS

	Notes	Price £	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		17¼xd	-⅛	21¼	14⅞	14,436	2.7
Allegheny & W.	♥	527p	-33	571p	226p	273.8	3.9
Amdahl		619p	-10	1158p	436p	682.8	1.3
Amer Cyanamid		34⅞	—	35⅝	26⅞	3,099	3.3
Amer Express		18⅝xd	-⅛	18½	10⅞	9,022	3.7
Amer T & T		38½xd	—	40⅞	20⅛	52,538	2.3
Ameritech		61	-⅛	62¾	32½	22,328	5.0
BankAmerica		38⅞xd	-½	38⅛	19⅛	12,253	2.7
Bankers NY		50⅛xd	-⅞	51⅞	26⅞	4,023	4.3
Bell Atlantic		35½	-⅛	35⅛	23⅛	15,398	5.0
BellSouth		37⅛	—	35⅞	25	18,387	5.2
Bethlehem Steel	♥	12⅞xd	-⅛	13⅞	5⅞	1,891	–
Bowater		1641pxd	-22	1662p	905p	894.6	1.7
CPC	h	21⅞xd	-⅛	34⅞	22⅞	4,781	2.8
Cadiz Land Inc	♥	715p	—	342p	106p	–	–
California Engy		1438p	-46	1478p	581p	280.9	–
Chase Manhattan		23⅞xd	-⅛	24½	8⅛	3,678	3.4
Chrysler		26⅞xd	-⅛	28⅞	6⅛	7,888	1.5
Citicorp		19⅞xd	-⅛	20⅞	5⅞	7,174	–
Colgate-Palm		45⅛xd	-⅛	45⅞	25⅛	7,285	1.8
Cont'l Bank		1768p	-25	1798p	488p	1,776	2.3
Dana		38⅛xd	-½	34⅞	14⅞	1,381	[illegible]
Data General		876p	-8	1094p	384p	242.6	–
Decca Inds.	♥	148p	—	148p	68p	–	–
Dun & Brad		40⅛	-½	42⅞	27⅞	7,171	3.9
Eaton		56⅞	-⅛	58⅞	32½	1,958	2.7
Echlin		16⅞xd	-⅛	18⅞	7⅞	980.0	2.9
FPL		25½xd	-⅛	27⅞	17⅞	4,622	6.7
Ford Motor		34⅞	+1⅛	35⅞	15	17,023	2.0
Gen Elect		58⅛xd	-½	61⅛	38⅞	51,628	2.0
General Host	♥	628p	-8	723p	390p	–	3.9
Gillette		40⅞xd	-⅛	42⅞	23⅞	8,827	1.2
Hasbro		28⅞	—	29½	12⅞	1,813	0.8

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

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FINANCIAL TIMES
Weekend March 20/March 21 1993

Directors find shares are being sold more cheaply

Telegraph purchase of Southam stake delayed

By Peggy Hollinger in London and Robert Gibbens in Montreal

MR CONRAD BLACK's plan to sell half of his private company's stake in the Canadian Southam newspaper group to The Telegraph, the UK-listed company he controls through Hollinger Group, was delayed yesterday after the Telegraph's independent directors learned that another investor is buying Southam shares much more cheaply.

The directors learned early this week that Mr Black had agreed to Southam's issue of 13m shares at a price of C$14 (£7.80) each – only days after they recommended that the Telegraph should pay C$18.10 a share for half of Hollinger's 22.5 per cent stake, at a total cost of £72.3m.

The purchaser of the newly issued shares in Canada's largest newspaper group is Power Corporation, the holding company of Montreal financier, Mr Paul Desmarais.

The Telegraph yesterday decided to adjourn an extraordinary general meeting scheduled for March 30, at which shareholders would have voted on the purchase. The independent directors said information would be sent to shareholders "as soon as possible" once they and their advisers, NM Rothschild, had examined the new development.

Their scrutiny will focus on the price. It is possible they may demand some reduction before an EGM, although it is unlikely to be as low as that paid by Power. In early trading yesterday, Southam's share price rose sharply on the news of Power's involvement from C$14 to C$16.

The arrival of Power at Southam acts as a counterweight to Mr Black. The deal makes it increasingly difficult for either Mr Black or The Telegraph to take control of Southam, which last year incurred losses of C$263m after restructuring charges.

In its circular to shareholders which originally recommended the purchase, Telegraph directors described the Southam investment as a "unique opportunity". Mr Joe Cooke, Telegraph managing director, had said the group could influence Southam through three directors nominated by Hollinger and The Telegraph.

The issue of shares to Power, however, will dilute the Hollinger holding from 22.5 per cent to 18.7 per cent. Power, which already holds 1.4m Southam shares, will have roughly the same stake. Both investors will have three seats on the 16-strong board, and have agreed to vote together.

Each has the right of first refusal on the other's holdings, and each can own up to 23.5 per cent of Southam. Power said its block was being acquired for "investment purposes", but it might buy additional Southam shares "depending on market conditions" and other factors.

Hollinger has offered a "put" option which would allow the Telegraph to require it to buy back Southam shares at the C$18.10 price for up to a year.

Hollinger said yesterday it believed the Power investment to be "wholly positive". Southam's balance sheet would be strengthened, it said, and Hollinger would have "greater flexibility, but no obligation, to invest further in Southam".

Money supply growth could bolster Tokyo share surge

By Charles Leadbeater in Tokyo

THE MOST severe monetary contraction in Japanese post-war history may be over, according to figures published yesterday which show that the money supply has started to grow again.

The Bank of Japan said the money supply in February grew by 0.2 per cent compared with the year before. In January, the year-on-year figure showed a contraction of 0.2 per cent.

The money supply's revival may help to fuel the recent strong rally in the Tokyo stock market. The Nikkei average closed at 18,537 yesterday, down by 190 points on the day, but 10 per cent up from a close of 16,817 two weeks ago.

Some analysts believe the rebound in Tokyo share prices may mark the end of a three-year bear market as the decline in the Japanese economy bottoms out with signs of increased production in some areas such as steel and bulk chemicals.

The rally, however, has mainly been driven by speculation about the government's plans for a further package of measures to stimulate the economy. These are likely to be finalised shortly before Mr Kiichi Miyazawa, the prime minister, leaves for a visit to Washington on April 15.

The renewed growth in the broadly defined money supply, M2 and certificates of deposits, follows the Bank of Japan's recent cut in its official discount rate to a historic low of 2.5 per cent.

The money supply grew by 0.5 per cent from January, when it had contracted by 0.3 per cent. It fell by 0.5 per cent last September, the first contraction on record, and then by 0.6 per cent in October and November.

Broad liquidity, which measures monetary conditions more generally, rose by 2.9 per cent in February, up from a growth rate of 2.6 per cent in January.

The Bank of Japan said the rise was due to increased holdings of commercial paper by financial institutions and reduced tax payments by corporations.

A government savings survey, however, suggested renewed strong growth in personal consumption, which accounts for more than 50 per cent of gross domestic product, is unlikely.

The survey by the management and co-ordination agency found that the savings of salaried workers rose by 5.2 per cent in 1992 to an average of Y11.87m (£69,660) compared with the year before, while savings among non-salaried workers rose by 1.3 per cent to an average of Y21.25m.

The ratio of savings to income stood at 1.6 per cent last year, up from 1.2 per cent ten years before. The report said the increased savings were mainly to pay for pensions as Japan's population is ageing rapidly.

Toyota and Nissan, the leading carmakers, underlined the economy's sluggishness by announcing that their domestic production last month fell by 1.2 per cent and 11 per cent respectively.

Steelmakers see falls, Page 10

Inflation rate rises after end of sales season

By Emma Tucker, Economics Staff

BRITISH retail price inflation edged higher last month, boosted by more expensive food and petrol and a bounce-back in prices after the January sales.

Prices rose in February by 0.7 per cent from the previous month, taking the year-on-year rate of inflation to 1.8 per cent, slightly higher than in January when it was 1.7 per cent. This was the first rise in the annual rate since April last year.

The RPI excluding mortgage interest payments, an underlying measure favoured by the Treasury, rose by 0.6 per cent in February. On this basis, the annual rate rose to 3.4 per cent from 3.2 per cent.

In spite of the February figure, prices are still rising at their slowest rate for 25 years and underlying inflation remains within the government's target range of 1 to 4 per cent.

Foreign exchange markets concluded that the rise in the inflation rate would discourage another interest rate cut. The pound rose a pfennig on the news, but later slipped to close at DM2.4325, down ¾ of a pfennig on the day.

Sentiment towards the pound, which gained five pfennigs this week, remained positive after a string of mildly encouraging economic data, including a rise in manufacturing output, a drop in unemployment and higher retail sales.

Mr Stephen Dorrell, financial secretary to the Treasury, said there were clear signs that economic recovery was getting under way. "On the balance of probability both we and independent forecasters now believe that the outlook is for growth."

Mr Gordon Brown, the shadow chancellor, said inflation was set to rise and that value added tax increases in the Budget would push up the RPI in April next year when they were introduced.

Although the Treasury said it was not unduly worried by the rise, it warned that the chancellor would continue to operate interest rate policy to keep inflation within its target range.

The Central Statistical Office said much of the increase in prices last month reflected a rebound from January's sales.

Background, Page 4
Currencies, Page 11

THE LEX COLUMN

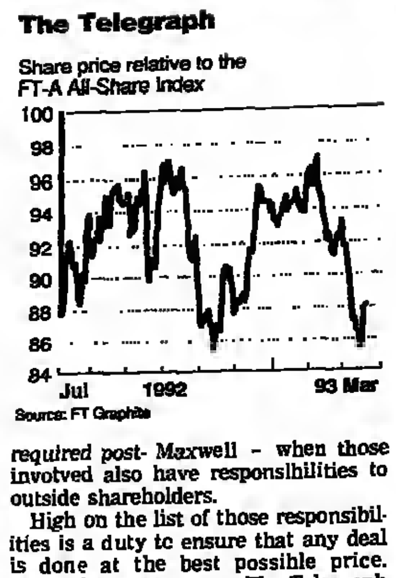
Rating recovery

The feeling that interest rates have stopped falling grew stronger this week. Retail sales, building society figures and yesterday's inflation statistics all added to the picture of a frail but gathering recovery. Even the bizarre fall in unemployment and the rise in sterling lent support. The Budget speech also suggested that the government is less panicky about growth, and Mr Lamont looks like a man quietly waiting for something to turn up.

With rates stuck at 6 per cent – at least for a while – the gilt market may have to give up some ground. It has been travelling hopefully in the expectation of ever-lower rates, and yields, particularly at short maturities, now look too low. Indeed, if the chancellor seriously intends the banks and building societies to help him fund the £50bn borrowing requirement he will need a bigger gap between base rates and three-year gilt yields.

That leaves equities relying on recovery rather than lower rates for support. Hopes of growth will certainly prop up UK cyclical stocks, and the market as a whole may manage earnings growth of 20 per cent in 1993. High yielding shares with good dividend cover may also benefit, as pension fund managers look for opportunities to claw back the dividend credits they have lost to the chancellor. But companies with large continental businesses look more vulnerable. The downturn there is going to be deep and prolonged, as even the Bundesbank seems grudgingly to concede.

FT-SE Index: 2900.1 (+20.4)



Source: FT Graphite

The Telegraph

If minority shareholders in The Telegraph were unhappy at the thought of investing £72m in Southam, the loss-making Canadian newspaper group, they must be doubly so after seeing the terms obtained by Power Corporation. It is buying shares direct from Southam at C$14.00. The Telegraph is supposed to buy them from Hollinger at C$18.10, thereby reliquifying its majority shareholder while saving it from realising a loss on its original purchase.

The Telegraph will use the proceeds from the sale of its holding in Trinity International which was also wished on it by Hollinger. Since that stake made The Telegraph a profit, it is understandable that Mr Conrad Black should want it to help out again. In the back-scratching world of independent entrepreneurs, that gives the deal a certain logic. It is different – especially given the high standards required post- Maxwell – when those involved also have responsibilities to outside shareholders.

High on the list of those responsibilities is a duty to ensure that any deal is done at the best possible price. Given the Power terms, The Telegraph cannot possibly argue that a premium is being paid for control. Nor is the put option on the stake worth much unless its independent directors can force the company to exercise it. They made a bad start by recommending the deal in the first place. At least Power's involvement gives them an opportunity to redeem themselves by calling a halt.

Hanson/Costain

Poor old Costain seems unable to get anything right. Having agreed to sell its Australian coal to Hanson, it then accepted a better offer from Altus. When Hanson sued, Costain confidently decided to fight. When Costain lost, it appealed. Now it has backed down and settled on the original terms with Hanson. Shareholders may receive slightly more in sterling since the pound has fallen and the net worth of the assets has gone up. But that hardly makes up for such a public display of cack-handed management.

Hanson, by contrast, must be relieved to have won something after a rather lean spell. The deal usefully expands Peabody's low-sulphur coal interests outside the US. But whatever the wrangles with Costain, buying Australian coal looks easy compared to getting involved with British Coal. Any further expansion of Peabody is unlikely to involve the UK.

Costain's bankers will be pleased to see the money safely in. But given that US legal action was always going to be a drawn out affair, Costain should have made sure it could stay the course before it went to court.

Life Assurance

The Office of Fair Trading's proposals for greater disclosure in the life assurance market is good news for consumers. The same cannot be said for life companies. Those selling through independent financial advisers and with high expenses may find the odds stacked against them. That points to a further squeeze on small mutual life offices, which enjoy neither broad distribution nor economies of scale.

Banks and companies which sell life products through them may be the beneficiaries. Low expenses and a customer base which overlaps with IFAs should leave them well placed to poach new business. But the case is by no means clear-cut. Low costs have allowed *bancassurance* companies to build fat margins. If the OFT manages to introduce price competition, they may equally feel the squeeze.

The likes of the Prudential and Legal & General, which sell through large direct sales forces, should feel secure. The OFT has abandoned any hope of unravelling commissions paid to salesmen or tied agents. There is always the worry, though, that consumers presented with more information on the cost of life assurance may turn to other savings products instead. With the life assurance sector at an all-time high relative to the market, that risk has hardly been discounted.

British Airways

The collapse of peace talks between BA and Virgin is decidedly damaging given the delicate relations between the US and UK in aviation matters. Virgin may be over-egging its case, but BA has damaged its own cause by extending the uncertainty.

BA's shareholders may well ask why their company is prepared to pay £4m in compensation for a "dirty-tricks campaign" which it insists was relatively minor. But their main concern has been to see the episode resolved. If BA has been fully frank, it should have nothing to fear by dropping its "gagging" clause. Its best defence in any future regulatory disputes would then be that it had recognised past misdemeanours, compensated Virgin and acted to prevent their recurrence.

NatWest to charge daily

Continued from Page 1

to five times as much per account than others and it was fair that they paid more.

He said the bank expected to neither gain nor lose under the new structure, although it hoped it would eventually save money by persuading customers to change their behaviour.

NatWest is also removing the system of waiving fees for customers who go into overdraft provided that their average cleared balance during a quarter is above £500.

Customers in overdraft will be charged £9 a month, and a £3.50 daily fee if they have an overdraft more than £50 in excess of agreed limits. They will not be charged for warning letters.

NatWest produced figures to show that a customer with a £500 unauthorised overdraft for a quarter, who gets one warning letter and one returned cheque, will be £182 better off a year under the new structure.

Foreign share of Japan's chip market increases to 20%

By Louise Kehoe in San Francisco

FOREIGN manufacturers' share of the Japanese semiconductor market jumped to 20.2 per cent in the fourth quarter last year.

This matches Japan's commitment to the US to open up its electronics market and deflects the risk of a potentially acrimonious row expected during bilateral talks in Hawaii this weekend.

US semiconductor makers welcomed the news yesterday, especially as most forecasts put the likely foreign market share in the fourth quarter at about 17.5 per cent.

The share reached 15.9 per cent in the third quarter of 1992, its then highest level since the 1986 bilateral semiconductor agreement was signed, when foreign chip sales accounted for 8 per cent of the Japanese market.

"This proves that Japan can open its markets if it chooses to," said one industry official.

The unexpected fourth-quarter jump meets the promise in Japan's 1991 semiconductor agreement with the US that foreign market share would grow to more than 20 per cent by the end of 1992.

It also defuses what was shaping up to be a bruising meeting in Hawaii tomorrow, the first formal meetings between US and Japanese trade officials since President Bill Clinton took office in January.

There were fears that a shortfall from 20 per cent – widely expected in the light of US industry reports of cancelled orders – would prompt demands for trade sanctions.

The US semiconductor industry is now concerned that the higher market share in Japan should be sustained. US industry executives said much of the increase may be due to a shrinking market in Japan. "A temporary improvement will not resolve the issue," said Mr Alan Wolff, counsel to the Semiconductor Industry Association.

The Japanese consumer electronics sector, in particular, has been hard hit by the slowing Japanese economy. While this has reduced the overall size of the Japanese chip market, it has had little impact on US chip imports.

US and Japanese officials are concerned that the recent rise in market share may be reversed this year as consumer electronics sales pick up in Japan.

The US is expected to seek assurances from Japan of sustained market share at an average 20 per cent for the next 12 months. However, officials of Japan's Ministry of Trade and Industry have said they will not accept further numerical measures of market openness.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)

Rises			
Asko	710	+	55
Heidelb Zem	1059.5	+	29.5
Linde	796	+	12
Falls			
GEHE	413	–	10
IKB Deutsche	263	–	6.5
Springer Axel	634	–	12

New York ($)

Rises			
Digital Micro	11	+	⅞
Lewis Galoob	3¾	+	⅜
Falls			
Amgen	33⅝	–	⅜
Chiron	50	–	2¾
Hunt (JB)	18⅛	–	3⅜
Whirlpool	52½	–	1⅜

New York prices at 12.30pm

Paris (FFrs)

Rises			
BNP Cert Inv	522	+	15
Cred Lyon	575	+	35
Fin Poliet	554	+	53
Roussel-Uclaf	590	+	19
Falls			
Immobanque	765	–	10
Redoute	7390	–	140

Tokyo (Yen)

Rises			
Mitsui Tst & Bk	949	+	100
Nippon Tst Bk	555	+	60
Tokyo Nissan	640	+	90
Falls			
Honda Motor	1360	–	110
Kenwood	570	–	55
Takashimaya	960	–	110

London (Pence)

Rises			
Aukett Assoc	10½	+	3
Avesco	79	+	7
Avonside	109	+	9
Bridon	97	+	5
Capital Inds	238	+	25
Costain	35	+	4
Dudley Jenkins	53	+	5
Haden MacLellan	42	+	4
Hornby	184	+	21
IoM Steam Packet	166	+	8
Kwik-Fit	113	+	5
Marley	120	+	6
Mowlem (J)	93	+	5
Reed Executive	55	+	7
Speyhawk	16	+	1½
Spring Ram	73	+	9½
Telemetrix	130	+	9½
UK Land	31	+	4
Wimpey (G)	155	+	12
Falls			
Arcolectric A	50	–	8
Geest	464	–	15
MMT Computing	122	–	6
Nichols (Vimto)	515	–	14
TVS Ent	28	–	9

World Weather

UK Today: Dry with sunny spells, turning cloudy later, over southern counties and the east Midlands. Elsewhere mainly cloudy with light rain. Cloudy with some heavy rain and gale-force winds over northern Scotland.

		°C	°F																				
				Cairo	F	18	64	Inverness	C	9	48	Milan	S	20	68	Salzburg	S	13	55
Ajaccio	S	15	59	Cape Town	S	26	79	Isle of Man	F	9	48	Montreal †	S	-18	0	S'Francisco †	C	13	55
Algiers	S	26	79	Cardiff	F	9	48	Istanbul	F	10	50	Moscow	R	2	36	Seoul	C	8	46
Amsterdam	S	9	48	Chicago †	C	-3	27	Jersey	S	11	52	Munich	F	11	52	Singapore	F	28	82
Athens	S	18	64	Cologne	S	10	50	Johannesburg	F	23	73	Nairobi	F	26	79	Stockholm	F	6	43
Bahrain	F	28	82	Copenhagen	C	8	46	Las Palmas	S	21	70	Naples	F	17	63	Strasbourg	S	15	59
Barcelona	S	17	63	Corfu	S	17	63	Leeds	C	9	48	Nassau		–	–	Sydney	F	22	72
Beijing	S	12	54	Dallas †	C	12	54	Lisbon	S	19	66	Newcastle	S	10	50	Tangier	S	22	72
Belfast	C	8	46	Dublin	C	8	46	Locarno	F	24	75	New Delhi	S	25	77	Tel Aviv	C	18	64
Belgrade	F	15	59	Dubrovnik	S	17	63	London	S	10	50	New York †	S	-9	16	Tenerife	S	20	68
Berlin	F	9	48	Edinburgh	R	8	46	Los Angeles †	S	13	55	Nice	C	13	55	Tokyo	C	11	52
Bermuda	F	21	70	Faro	S	18	64	Luxembourg	S	11	52	Nicosia	S	16	61	Toronto †	S	-9	16
Birmingham	S	9	48	Florence	F	15	59	Madeira	R	20	68	Oporto	R	17	63	Tunis	S	22	72
Blackpool	F	8	46	Frankfurt	S	12	54	Madrid	R	17	63	Oslo	F	7	45	Valencia	S	21	70
Bombay	S	34	93	Geneva	S	15	59	Majorca	S	21	70	Paris	C	11	52	Vancouver †	F	5	41
Bordeaux	S	19	66	Gibraltar	S	19	66	Malaga	F	20	68	Perth	R	18	65	Venice	F	16	61
Boulogne	S	10	50	Glasgow	C	9	48	Malta	S	20	68	Prague	S	9	48	Vienna	C	13	55
Bristol	S	10	50	Guernsey	F	9	48	Manchester	C	8	46	Reykjavik	Sn	-3	27	Warsaw	C	5	41
Brussels	S	10	50	Helsinki	S	5	41	Melbourne	S	28	82	Rhodes	S	16	61	Washington †	S	-7	19
Budapest	F	13	55	Hong Kong	F	14	57	Mexico City		–	–	Rio de Janeiro		–	–	Wellington	F	15	59
Buenos Aires		–	–	Innsbruck	S	15	59	Miami †	R	19	66	Rome	C	16	61	Zurich	S	13	55

Temperatures at midday yesterday † Noon GMT temperatures C - Cloudy Dr - Drizzle F - Fair Fg - Fog H - Hail R - Rain S - Sunny Sl - Sleet Sn - Snow T - Thunder

Weekend FT

SECTION II

Weekend March 20/March 21 1993

The Long View / **Barry Riley**

Living £1,000 beyond our means

THIS WEEK the Budget Red Book truly lived up to its unofficial name, showing projected deficits on a scale not seen since the 1970s.

The government that was once committed to a balanced budget is set to borrow £50bn (some 8 per cent of gross domestic product) in the coming financial year and on its central projection will still be borrowing at the rate of £30bn a year (nearly 4 per cent of GDP) in 1997-98.

Whereas last year, just before the election, the Treasury projected a return to medium-term balance on the basis of incredible economic growth assumptions, this time the growth looks more plausible but the *borrowing* is unbelievable.

In practice it will all work out some other way, and that certainly appeared to be the assumption in the gilt-edged market which scarcely batted an eyelid this week at the prospect of perhaps £140bn of net new issues being unloaded on to it over the next four years, doubling the volume of outstanding paper.

Perhaps, indeed, the adjustment will take place through deep cuts in public spending, or extension of VAT to newspapers, children's clothing and a lot more, or by some other means which gilt holders would also view enthusiastically. But there are darker possibilities.

Taken literally, the prediction of a 2 per cent inflation rate at the end of the 1990s implies that the government proposes to borrow at a real rate of some 6 per cent when it issues fixed income gilts (although it can get away with about 3¾ per cent on index-linkers). When a country borrows at a real interest rate greater than the rate of economic growth the burden of the debt will keep on growing even if the budget returns to balance. Debt is rarely repaid on any scale, so in these circumstances eventual default is almost inevitable, usually achieved behind the smokescreen of restructuring or inflation.

This week Norman Lamont required future generations of British taxpayers to assume the burden of the nearly £1,000 a head by which we propose, as a nation, to live beyond our means in 1993-94. Those future taxpayers have not had the opportunity to give their consent, and they may decline to pay.

True, some unexpected bonus, such as a surge of economic growth, may yet retrieve the situation. The budget deficit melted away in the late 1980s, in an unpredicted way. The overall debt burden does not yet compare with that of, say, Italy.

Those sturdy British citizens of the next millennium may grit their teeth and dutifully pay the postponed taxes of the wretched victims of the 1990s depression. It is more likely, however, that we will face some kind of capital market discontinuity, of which there are two excellent examples in recent British history.

One was in 1976 when Denis Healey as Labour chancellor was manfully attempting to run deficits which would offset the vast surpluses of the oil-producing countries. The 1975-76 budget deficit reached £10.3bn, or 9 per cent of GDP, and the first estimate of the borrowing requirement for 1976-77 was £12bn (the equivalent of £60bn in relation to the UK's current money GDP). The trade deficit appeared to be running at 1.5 per cent of GDP (actually less than the near 3 per cent current account deficit now officially forecast for 1993).

In the end the markets concluded that the strategy was unbelievable. Gilt-edged investors went on strike, the stock market went into free fall and sterling collapsed. By September Healey had to call in the IMF.

The irony of it all was that the figures were hopelessly pessimistic: in the end the PSBR was little more than £8bn and the trade gap was less than 1 per cent of GDP.

The other example came only last year when the UK's position within the European exchange rate mechanism became unsustainable. To hold sterling's parity against the D-Mark interest rates needed to be very high, but the British economy was not strong enough to cope. An attempt to raise rates then became, once again, unbelievable.

At that time the crisis revolved around short-term interest rates and the foreign exchange market. The future problem would centre upon long-term rates and the debt market, but might be essentially similar in its nature: investors would require higher rates in order to take up the ever-mounting debt, but the future burden of higher borrowing costs would appear impossible for a sluggish economy to sustain.

The positive aspect of all this is that out of crisis can come common sense. In 1976 and 1992 the collapse of confidence in the financial markets forced the politicians to abandon dangerous policies. Norman Lamont,too, might need to be forced into prudence.

In late 1976 and early 1977 there was an astonishing turnround in sentiment as the markets responded to the spending cuts required by the IMF. In 1993 the markets are assuming, quite reasonably, that the Red Book projections imply that eventual corrective action will be triggered. However, in certain respects Lamont, burdened by 3m unemployed and an elusive recovery, is worse off than Healey, who had to contend only with just 1.3m jobless (though this was a high figure at the time) and who – whatever the environment of financial crisis – luxuriated in an economic growth rate of 3.7 per cent for calendar 1976.

Might a future chancellor, like Lamont last year, be tempted or even forced to break out of his straitjacket? He would do it this time by suspending the full funding rule entirely, inflating the money supply and going for growth on the basis of a weakening exchange rate.

He would no doubt be idolised by the tabloid press, which this week viewed Lamont's tax increases, deferred though they were, with grotesque alarm. But he would still need to borrow and could never escape the grip of the markets. The Red Book is surely overdoing the red ink.

Magicians of the little red box

Last Tuesday marked the end of the traditional March financial ritual. ***Malcolm Rutherford*** *reflects on eight ex-chancellors who took the starring role*

Peter Thorneycroft, 1957-58, Days in office: 359

Achievement: resignation on a point of principle – public expenditure
Weakness: had lost the battle
Key Budget: only one Budget- reduced purchase tax
Went on to be: other government roles, and to be chairman of the party, chairman of Pirelli UK and chairman of Trusthouse Forte
Quote: "I'm not a rich man."

James Callaghan, 1964-67, Days in office: 1,139

Achievement: opposed devaluation as long as he could; introduced betting tax
Weakness: should not have resisted so long
Key Budgets: 1965, introduced corporation tax. 1966, introduced selective employment tax
Went on to be: home secretary, foreign secretary, prime minister
Quote: "We are back on course...Steady as she goes."

Roy Jenkins, 1967-1970, Days in office: 933

Achievement: turned economy round after devaluation
Weakness: none on the economic side
Key Budgets: 1968, raised taxes by £923m - a record, leading to government surplus by 1970
Went on to be: President of the European Commission, leader of the SDP
Quote: "I had the power of the H-bomb over Harold Wilson."

Tony Barber, 1970-74, Days in office: 1,319

Achievement: year-on-year growth of 10.5%
Weakness: failure to stand up to Ted Heath; legacy of inflation
Key Budgets: 1971, foreshadows value added tax.
Went on to be: chairman of Standard Chartered Bank.
Quote: "I hated the prices and incomes policy, but was persuaded there was nothing better."

Denis Healey, 1974-79, Days in office: 1,887

Achievement: turned round British economy 1977-78
Weakness: had to go to IMF to do it
Key Budgets: hard to quantify because budgets mixed up with statements on spending and incomes policy
Went on to be: deputy leader of the Labour party
Quote: "I always regretted that I didn't find it easier to work more closely with Roy Jenkins."

Geoffrey Howe, 1979-1983, Days in office: 1,462

Achievement: tax cuts, tax reforms and loosening of controls
Weakness: decline of manufacturing industry
Key Budgets: 1979, direct tax cuts, rise in Vat. 1980 medium-term financial strategy. 1981, tax increases
Went on to be: foreign secretary
Quote: "The policies of fine tuning have been tested to destruction, and beyond." (1979 budget)

Nigel Lawson, 1983-89, Days in office: 2,330

Achievement: more tax cuts, more reforms, economic growth and falling unemployment
Weakness: boom went too far and inflation rose
Key Budgets: 1984, tax reforms, abolition of investment income surcharge. 1988: single higher rate of tax set at 40 per cent, basic rate down to 25 per cent
Went on to write: The View From No 11. Memoirs of a Tory Radical

John Major, 1989-90, Days in office: 398

Achievement: Introduction of Tessas
Weakness: *not* apparent in the time available
Key Budget: only *one date* - savings incentives
Went on to become: prime minister
Quote: "If it isn't hurting, it isn't working."

Norman Lamont, 1991- Days in office: 842 not out

Achievement: bringing down inflation; persuading his colleagues to accept a unified Budget
Weakness: premature optimism; careless about publicity
Key Budget: 1992, reduced rate band of 20p on first £2,000 of taxable income
Going on to: present convention suggests that he will one day be offered a peerage
Quote: "I expect growth in the year to the second half of 1992 to be almost two per cent" (1992 Budget)

THEY HAVE not formed a dining club, but there is a remarkable number of former UK chancellors around: eight altogether. Some were obviously more successful than others, although none was successful throughout and even the "problems of success," as Edward Heath called them, brought pain in their wake.

Talking to the ex-chancellors leads to a sense of continuity. All have dealt with the weakness of sterling: nearly all have had difficulties in controlling public spending and, in varying degrees, they have all doubted the accuracy of the figures on which their actions are based. For some, the annual Budget and even the annual public expenditure exercise are not their central task. For much of the time, they are simply reacting to events.

The most youthfully enthusiastic of the former chancellors is the oldest: Lord Thorneycroft, now 83. The most intriguing, historically, is Lord Barber – if only because he has remained so silent since. The four most effective were, in different ways, Roy Jenkins, Denis Healey, Geoffrey Howe and Nigel Lawson: two Labour men and two Tories.

James Callaghan had to deal with circumstances beyond his control, but found the experience useful when he went on to higher things. John Major delivered only ona Budget before becoming prime minister. Last Tuesday's was Norman Lamont's third. For what it is worth, recent precedent suggests that chancellors rarely resign and are sacked even less often.

If you omit Iain Macleod, who died in 1970 after 31 days in the post, the average length in office, between the return of a Labour government in 1964 and Lawson's resignation in October 1989, was more than four years. Until Lawson departed over exchange-rate policy, the only post-war chancellor who resigned was Thorneycroft. No chancellor has been sacked since Selwyn Lloyd in 1960.

Whether Thorneycroft achieved anything by going is still a matter of intense debate in the higher reaches of the Tory party. He resigned from Harold Macmillan's cabinet in early 1958 over public expenditure which be judged was – note the figure – £50m too high.

Thorneycroft says that he has never had any regrets. "Harold was a delightful man, but he was a big spender...I resigned when I knew that we couldn't go on continuously and regularly overstretching our resources."

He denies the rumour which emanated from Downing Street at the time – that he was put up to it by Enoch Powell and Nigel Birch, who went with him. It was his own doing, he insists. He and the prime minister agreed to put the public expenditure matter to the full cabinet. The prime minister won and the Treasury lost. That meant that the chancellor's authority was in danger of being undermined in all future spending arguments. It also illustrates a cardinal rule: if the prime minister and the chancellor are working well together, politics should be relatively smooth; if they are not, there is likely to be trouble.

The Thorneycroft resignation remains of interest in other ways. "I'm not a rich man," he says, but when he looks around his Eaton Square flat you know that "rich" means "super-rich". Very few modern ministers can easily afford to put principle first.

Heath's first choice of chancellor was Macleod, who was ready to introduce value added tax. When Macleod died, he turned to Tony Barber, a successful former party chairman, and former treasury minister, then in the cabinet as chancellor of the duchy and just starting the negotiations on Britain's entry to the European Community. Barber remained chancellor for the rest of the Heath government. It was not a happy time.

Heath and Barber never had that close relationship between prime minister and chancellor that seems essential at least to the appearance of good government. It was a period of sudden policy lurches: from Selsdon Man and economic *laissez-faire* to prices and incomes control, and Heath tended to rely on senior civil servants such as Sir William Armstrong rather than on ministers. "It was even more of a 'yes man' cabinet than Mrs Thatcher's," says Lawson.

Barber admits now that he thought more than once of resigning. He "hated" the prices and incomes policy, but was persuaded, as were many other free-market Tories at the time, that there was nothing better available. What prompted thoughts of resignation was the continuing rise in public expenditure, but he remembered Thorneycroft and concluded that his resignation had not achieved anything.

Nevertheless, the Barber stewardship was eventful. He introduced VAT in his 1971 Budget, but did not heed the advice of good friends in Europe: two youngish finance ministers called Valéry Giscard d'Estaing and Helmut Schmidt. Giscard advised him to set a uniform rate as high as possible straightaway, with a minimum number of exemptions. That was the way to avoid storing up trouble for the future. The chancellor replied that it was not practical because Britain had no history of a sales tax.

Possibly he had an eye for talent. When Barber left politics for banking in 1974, he chose as his bag carrier and personal assistant an almost unknown young man called John Major. And it was his determination to give up the House of Commons at the next election that perhaps helped him to stay calm as chancellor.

In early 1973, Barber presided over an unprecedented year-on-year economic growth rate of 10.5 per cent. That was the Barber boom. By December that year, he was introducing a draconian programme of spending cuts. Healey, the Labour chancellor who took over from Barber, says that he left a mess like the Augean Stables behind him.

Yet, by British standards, Barber had inherited an unusually healthy economy from Jenkins in 1970 with the first surplus in the PSBR since 1936-37 – though also the last until Lawson. Jenkins had become chancellor in late 1967 following devaluation and the departure of Callaghan.

In his book *Time and Chance*, Callaghan describes the loneliness of it all: "I have never experienced anything more frustrating than sitting at the chancellor's desk watching our currency reserves gurgle down the plughole day by day and knowing that the drain could not be stopped. I could not even share the misery with others."

Like Lamont with the "green shoots of recovery," there was a phrase he came to regret. "We are back on course. The ship is picking up speed. Steady as she goes!" he said in his 1967 Budget. Devaluation came six months later. After that, there was never any question that he would stay on, nor did he wish to do so. Roy Jenkins succeeded him.

Jenkins recalls now that he was "totally indispensable" to the Labour prime minister, Harold Wilson. "I had the power of an H-bomb over him," he says and sounds as if he wished he had used it. Certainly he regrets that he was not decisive enough with his first Budget.

To gain the benefits of devaluation, he suggested bringing the 1967 Budget forward to mid-February and combining it with an announcement of expenditure cuts.

All official advice was against him because the Treasury has never liked the idea of a unified Budget, and Jenkins allowed himself to be overruled. Besides, said the Treasury, it was impossible to construct a Budget without waiting for the short-term economic forecasts.

Jenkins has less admiration for the Treasury mystique and conventions than most former chancellors. "It's not the smooth purring Rolls-Royce machine that is often supposed," he says.

He found that there were better officials at other departments though he does single out for praise Sir Douglas Allen (later Lord Croham) as his permanent secretary and one or two others. He thought the secrecy was excessive and regularly ignored it. Once he lost the

■ Continued on Back Page

CONTENTS

THE BUDGET AND YOU

London

Believe it or not, that wasn't a recession

By Peter Martin, financial editor

WHEN COLERIDGE first thought up that phrase about the "willing suspension of disbelief" - the "poetic faith" we feel in the presence of true artistic creativity - he probably did not have the Budget in mind.

But he should have done.

Consider this year's example. Norman Lamont asked us to believe that significant business tax rises - through Advance Corporation Tax and Petroleum Revenue Tax - were actually tax concessions proffered in response to eager pleas by the corporate sector.

He asked the gilt market to believe in the bankability of government promises to raise taxes stretching several unfathomable years into the future, and in the plausibility of a spending review that has barely even started.

Most improbably of all, the Treasury asked us to believe that there was really no recession last year after all.

The UK's non-oil gross domestic product shrank by only ¼ per cent point during 1992, according to the economic estimates published to accompany the Budget.

Even that modest slippage overstates what actually happened, on the Treasury's figures: if you compare the fourth quarter of 1992 with that of 1991, there was really no change. Manufacturing output was actually ¼ per cent higher in the fourth quarter than it had been a year before.

Faced with all this, the markets did their best to suspend their incredulity. Share prices fell on the day after the Budget, with the FT-SE 100 index dropping 29.4 points to 2889.9. By the end of the week, blue chips had recovered some of their lost ground, and the FT-SE 100 closed at 2900.1 on Friday, down 15.8.

Smaller companies had no lost ground to make up: the FT-SE Mid 250 index actually rose on the day after the Budget, and closed the week up 1 per cent.

The gilt market, which had begun the week in a mood of foreboding, appeared to have suspended its critical faculties by the close. Even though the Treasury's new estimate of the 1993-94 public sector borrowing requirement, at £50bn, was higher than earlier estimates, the market responded enthusiastically. The yield on 10-year gilts, which was 7.56 per cent at the end of last week and 7.66 per cent in the immediate aftermath of the new PSBR estimate, ended the week at 7.61 per cent.

The decisive factor for the gilt market was probably not the Budget itself, nor Norman Lamont's promise of a "wedge" of rising tax revenues in years to come. It was the growing evidence that a solid economic recovery is under way, ranging from the discovery, in the Treasury's figures, that last year had not been as ghastly as it seemed, to higher building society lending and lower unit wage costs, culminating in Thursday's unexpected drop in unemployment for the first time in 34 months.

The market has convinced itself that only economic growth can deliver an escape from the spectre of ever-rising government borrowing: this week, that prospect seemed on balance a little more likely.

Ever since last autumn, the equity market has been expecting such a recovery. This week's developments, therefore, have been dominated by an attempt to calculate whether the tax changes in the Budget were likely to help or harm the value investors put on the profits stream that recovery will generate.

For higher-rate and tax exempt shareholders, the changes in the tax treatment of dividends mean that the stock market is less valuable than it was before the Budget, as articles elsewhere in this section explain. The gross dividend yield on the FT-Actuaries All-Share seems likely to drop from around 4.1 per cent to something like 3.9 per cent. At that figure, it would be reaching the level at which equities have traditionally been seen as unsustainably expensive.

Of course, gross dividends are only of direct relevance to tax-exempt investors; for others, the net dividend is the more important figure. Taking that into account, brokers' analysts seemed divided about the impact of the change. NatWest Securities reckoned that only 39 per cent of equity investors were adversely affected; Goldman Sachs put the proportion at 70 per cent or more.

Amid the confusion, two facts seemed clear: the government had stepped up its tax take from companies and their shareholders by £1bn a year; and it had chosen to help companies with surplus ACT problems at the expense of those without. Since surplus ACT is concentrated in a relatively small number of businesses - those with a very heavy dependence on overseas profits, or with unusually high dividend payouts - individual gainers stand to win much more than individual victims will lose. Shares that benefited from this reasoning included Redland, up 21p since the Budget to 477p, and BAT, up 19p to 992p.

The market seemed reluctant to single out other individual gainers and losers from the Budget. Rolls-Royce Motors, part of Vickers, stands to be a significant loser from the changing structure of company car taxation, which will penalise very expensive cars much more heavily than at present. Vickers shares scarcely budged, however, dropping only 2p after the Budget to close the week at 129p; presumably investors no longer regard Rolls-Royce as a significant factor in valuing the group.

Whisky distillers, singled out for favourable treatment in the Budget speech by a whisky-sipping chancellor, also stand to benefit, in relative terms at least, from a less onerous rise in excise duties than that imposed on other forms of alcohol. Guinness shares dropped 28p to close at 462, affected more by lack-lustre results than by any advantage accruing to the whisky trade.

Oil companies with North Sea interests fell into two camps after the Budget. Those with mature fields and little to gain from a continuation of the old system of lavish allowances for future exploration (perhaps because they had already used up all the allowances the taxman would give them) stand to be big gainers.

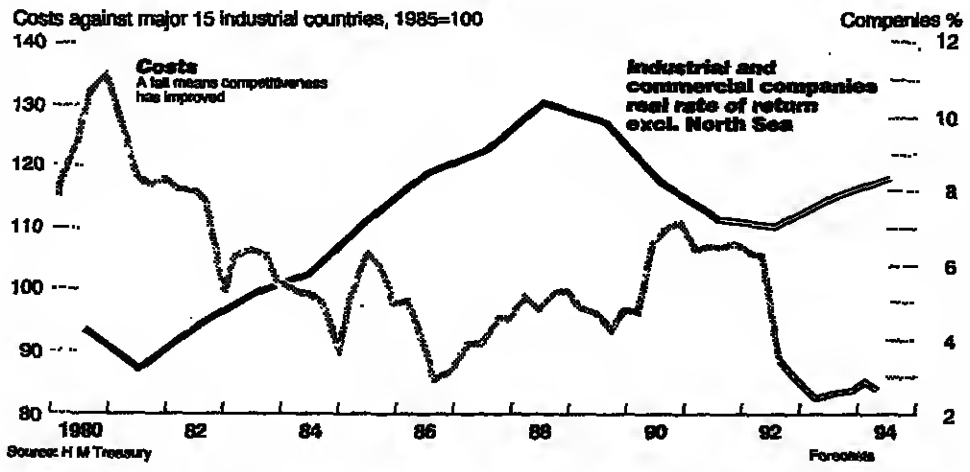
Analysts decided that BP was the best example of this category: its shares rose only 4½p, however, closing the week at 299½p. Oil companies which had counted on a continuation of allowances in the future, typically smaller independents, stand to lose: overall, the sector lost 0.4 per cent.

In principle, you might think that gas and electricity utilities would also suffer from the Budget, with its promise to impose value-added tax in years to come on domestic fuel and power. Curiously, the stock market appears to believe that consumers are indifferent to the price they pay to stay warm: British Gas shares lost only 2½p, closing the week at 297¼p.

In this, as in other respects, investors proved willing to offer companies, and the chancellor, the benefit of the doubt. Spring weather, favourable economic statistics, a strengthening pound, and a Budget speech which made a nod in the direction of future austerity - together these left traders eager to set their darker thoughts aside.

Still, Coleridge's willing suspension of disbelief is a transitory experience. At the end of the play, the audience leaves the theatre; at the end of the story the reader puts the book down. Just how long can this particular outbreak of poetic faith be expected to last?

The Treasury's estimate of the outlook for UK companies



BUDGET AT A GLANCE

Already implemented

- Stamp duty threshold for houses, land and property doubled to £60,000.
- Duty on unleaded petrol up by 12p a gallon and on leaded petrol by 15p.
- Pint of beer up 1½p, bottle of wine up 5½p, *no change to spirits*, cigarettes up 10p a pack
- Minimum for Gift Aid donations lowered from £400 to £250.
- End to loan-back Business Expansion Schemes.
- Capital gains tax roll-over relief available to entrepreneurs who reinvest the proceeds from the sale of shares in their business into shares in a qualifying unquoted trading company.
- The value of outplacement counselling will no longer be treated as a taxable benefit.

April 1993

- Lower rate band of 20 per cent extended from first £2,000 of taxable income to £2,500.
- Basic rate and higher rate taxes unchanged at 25 per cent and 40 per cent.
- The higher rate threshold is unchanged at £23,700.
- Personal allowances frozen at £3,445 for those under 65, £4,200 for those aged 65-74 and £4,370 for those 75 and over. The threshold at which age related allowance starts to be withdrawn is unchanged at £14,200.
- No change to thresholds for capital gains tax, which will remain at £5,800, nor to inheritance tax which remains at £150,000.
- Earnings cap on pensionable income frozen at £75,000.
- National Insurance Contributions lower earnings limit raised to £56 a week from £54 a week. The upper earnings limit is £420 from £405.
- The tax credit on dividends will be reduced to 20 per cent. The effect will be to reduce returns to non-taxpayers, such as pension funds and Peps, and to 40 per cent taxpayers, but will be neutral for 25 per cent taxpayers.
- Investors to same personal equity plan for a number of years need complete only one application form.
- Tax relief for employee removal expenses limited to £8,000 per move. Tax relief for additional housing cost payments withdrawn.
- Vehicle excise duty rises by £15 to £125.
- Company car scale charges increase by 8 per cent.
- Company car fuel scale charges increase by 20 per cent for private use. Abolition of the 50 per cent reduction where business miles exceed 18,000.
- Annual limit on give-as-you-earn donations raised from £600 to £900.

April 1994

- Lower rate band of 20 per cent extended from first £2,500 of taxable income to £3,000.
- Tax relief limited to 20 per cent on the married couple's allowance, the married couple's age allowance, additional personal allowance and widow's bereavement allowance.
- Married couple's age allowance to rise by £200.
- Tax relief on mortgage interest to be applied at 20 per cent instead of 25 per cent.
- VAT extended to domestic fuel and power at 8 per cent.
- National Insurance contributions will rise for Class 1 employees to 10 per cent from 9 per cent and from 6.3 per to 7.3 per cent for Class 4 self-employed. Employers' contributions remain unchanged.
- *Company cars taxed on basis of their list price instead of engine size.*

April 1995

- VAT on domestic fuel and power to rise to 17.5 per cent from 8 per cent.

April 1996

- *First tax year to which self-assessment for those filling in tax returns forms would apply.*

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1992/93 High	1992/93 Low	
T-SE 100 Index	2900.1	-15.8	2957.3	2281.0	Budget moves on ACT
FT-SE Mid 250 Index	3154.7	+55.2	3154.7	2157.8	Budget aid for small companies
ASDA	* 75¾	+5	77½	21½	Joining FT-SE 100
Airtours	322	-17	345	172	Bid for Owners Abroad fails
BAT Inds	992	+44	1010	608	Ukraine joint venture
BP	299½	+19	304½	182	Petroleum Rev Tax reduction
Evans Halshaw	289	+21	316	167	Good results
Glaxo	813	-52	943	609	US price freeze worries
Hammerson A	369	+34	503	165	British Land bid rumours
Highland Distilleries	284	+13	305	191	No excise duty increase
Land Securities	519	+23	519	343	James Capel "buy" on property
Laporte	631	-54	688	434	Profits down 10 per cent
Legal & General	489	+18	493	287	Good results
Schroders	1953	+183	1953	1043	Better-than-expected prelims
Spring Ram	73	-50	181	55	Profits warning

The Bottom Line

ACT: winners and losers

THE chancellor's changes to the advance corporation tax (ACT) regime do not necessarily spell good news for companies. Although there are obvious winners, there are also losers. The reduction in the rate of ACT, from 25 to 20 per cent over two years, appears good news for business. Companies will get a cash-flow benefit, as ACT is payable in advance but corporation tax is paid in arrears. The changes pose two potential problems: a higher tax charge and institutional demand for higher dividends.

First, companies which have suffered from surplus ACT in past years can offset it against UK corporation tax as long as their profits recover. But the amount of surplus ACT which they can offset against £33 of corporation tax will reduce from £25 to £20. As a result, their marginal tax rate will rise from 8 to 13 per cent.

Second, tax-exempt investors, such as the pension funds, may want companies to pass on any benefits accrued from the changes in the form of increased dividends. One senior fund manger said: "We will obviously look at each case separately. But I do not think that a company which stands to gain significantly from the changes should think twice about not increasing its dividends proportionately."

Andrew Jones, the senior partner at Ernst & Young, believes the reduction in the ACT rate will be of most help to companies which have lots of UK taxable profit and no ACT problem. They will have a reduced cash flow cost because they pay less ACT in absolute terms. Stephen Boddice, finance director of T & S Stores, believes his company is a typical example of gaining from the reduced cash flow, although the amount is not big.

Another class of companies which could benefit, according to Jones, is that which has a minority of its British taxable income from UK sources. "In those cases," he says, "ACT is close to being an irretrievable problem and, again, the reduced absolute cash cost will afford them some relief, though far less that they would immediately expect." Colin Hope, chairman and chief executive of T & N, the motor components and engineering group, concurs: "The changes will unquestionably be of use to us over the next few years. But they will of less hope than one might think."

Another winner in this category is BBA, the automotive, aviation and industrial component maker which generates most of its revenue overseas. Peter Clappison, finance director, said the changes should save it around £1m in tax. But the bulk of companies which have a surplus ACT problem will be no better off. Those companies which have curtailed dividends to utilise past ACT may be substantially worse off.

Most analysts believe Trafalgar House, the construction, engineering and shipping conglomerate, fits into this category. The group believes, however, that the effects of the changes will be neutral because of its increased overseas earnings.

Hoare Govett has identified a number of FT-SE 100 winners from the changes. These include the industrial conglomerates BTR and Williams Holdings; RTZ Corporation, the world's largest mining company; HSBC Holdings, which last year acquired Midland Bank; Standard Chartered; Smith & Nephew, the international health-care and consumer group; and Ladbroke, which owns Hilton International hotels and various betting businesses. But the only clear winners are those which are able to raise the dividend or pay dividends that are sufficiently generous to keep tax-exempt shareholders happy.

'Changes are not necessarily good news'

Ladbroke, is an obvious example of such a winner. Cyril Stein, the chairman, said: "Given our high yield, I am confident that pension funds will not be pressing us for for higher dividends." But Forte, the hotels group, seen as an overall winner because its tax charge is expected to fall by around £2m to £3m, might not have much scope to raise its dividends.

Hanson, the Anglo-US conglomerate, has also been classified as a partial winner. Derek Bonham, the chief executive, believes its tax charge will fall by about £35m. He also believes that the pension funds are strong enough to withstand the changes without necessarily demanding a bigger dividend.

Matters could prove awkward for Hanson if it takes a different line, though. Barclays de Zoete Wedd believes the group's ability to increase dividends is constrained by the low level of cover and the growing cyclicality of earning due to the move into natural resources.

The Treasury has gained from this change in the tax system because of the lower tax credit. On the chancellor's own figures, retaining the present offset rate would still produce £1bn of revenue saved by reducing tax credit payments.

As the changes stand, many companies fear that what seemed like a positive move might not achieve its aim.

Roland Rudd

Serious Money

Long, dull and infernal

By Philip Coggan, personal finance editor

THE DEVIL is in the detail, said Ross Perot, the US tycoon, and he might easily have been speaking about the Budget. Norman Lamont's speech might have seemed both long and dull, but there was plenty for investors to ponder in the small print.

Most tax allowances were frozen, such as the personal allowance, the higher rate band, the annual CGT allowance, the age allowance and the inheritance tax threshold. The married couple's allowance was not only frozen but restricted to 20 per cent from April 1994.

Mortgage interest relief is also being restricted to 20 per cent, as from April next year. At the same time, citizens can look forward to another 1 per cent rise in National Insurance contributions on earnings between £56 and £420 a week.

Taken together, those changes could take £645 in 1994-95 from a married person with a mortgage who earns £30,000 a year. The sole concession is the widening of the 20 per cent rate band, which works out at a whopping £25 per person over each of the next two years.

Do not spend it all at once, especially as the chancellor decided to round up the usual victims - smokers, beer-drinkers and motorists - for their annual clobbering. He added VAT on fuel for bad measure.

The implications of the above changes are at least relatively straightforward. Where matters become more complicated is in the detail and, in particular, the change in the way that advance corporation tax is levied.

The figures are spelt out on page III, but the upshot is that, other things being equal, higher-rate taxpayers, non-taxpayers and Pep holders will all see a 6.25 per cent cut in their dividend income.

It might be that companies will increase their net dividends to compensate, but, in the context of a weak economy and low dividend cover, it seems far from certain.

The perverse impact of all this is that the elderly, who have saved prudently for their retirement so as not to be a burden on the state, will be the group much the worst hit by the Budget. They will probably see their dividend income fall, while also paying the Chancellor's other levies.

What should private investors do? In spite of industry protests, the benefits of a Pep have always been less obvious for a basic rate than for a top rate payer. Even more so than before, basic rate payers should carefully examine plans to ensure the charges do not outweigh the tax break. Indeed, Guinness Flight has cut the charges on its Temple Bar PEP precisely to address this point.

The change may also tilt the investment argument slightly towards bonds and away from shares. A portfolio with a 65/35 per cent split between shares and bonds might be shifted to a 60/40 split.

According to Whittingdale, the gilt fund managers, the change will produce a benefit, in the form of a slightly higher yield, for basic rate taxpayers who hold bond funds. However, the chancellor did not allow bond funds to qualify for Peps so the news is not all good.

Whether or not you find gilts more attractive after the Budget probably depends on whether you are convinced that the government has made sufficient effort to bring the budget deficit under control.

If you are unconvinced, you may still find that index-linked gilts are appealing. The real yields of over 3.5 per cent on long-dated issues compare very favourably with the 4 per cent dividend yield on the equity market.

Although index-linked issues offer little income, they have distinct tax advantages. Do not forget index-linked National Savings either - the limit has been doubled to £10,000.

One wrinkle also worth noting is that company convertible bonds are unaffected by the ACT change (since they pay interest), whereas convertible preference shares, however, do suffer (because they pay a dividend).

This might increase the attractions for private investors of convertible bonds, which offer a steady income and the possibility of profits if share prices rise.

It is also important to return to the argument advanced by Robin Angus, of NatWest Securities, that private investors should concentrate on total return.

Although the chancellor did not increase the CGT threshold, at £5,800 it still represents an allowance that most investors fail to use.

A return of 5 per cent capital and 3 per cent income is just as good in gross terms as a return of 8 per cent income and no capital growth. Given the different tax treatments, the former option may be much better in net terms.

This just scratches the surface of the technical changes which the chancellor made. Those who have company cars, BES plans, their own businesses or who are long-suffering Lloyd's names will find relevant articles in the next few pages.

In short, there are a lot of details - and a lot of devils too.

Wall Street

Investors in wonderland

THE behaviour of equity investors in the US is looking ever more paradoxical. Consider the following:

The Dow Jones Industrial Average is bumping along at near record levels, but economists continue to emphasise the fragility of the US economic recovery.

Corporate restructurings - meaning layoffs, asset sales and mergers - are producing improved productivity and profit levels at many US companies, but the buoyant price/earnings ratios of many company stocks seem to have discounted a level of improvement that may not be reached for another 12 to 18 months.

The tax-increasing, deficit-reducing budget legislation presented by the Clinton administration was approved on Thursday by the House of Representatives, as was a $16bn (£11.2bn) fiscal stimulus package. But the budget could still be watered down in the Senate and in a joint conference between the two chambers of Congress.

The recovery of US banks is considered a fait accompli, judging by investor sentiment and share prices, but warnings that the credit crunch is unresolved and that commercial property loans are still a problem are creeping back into the debate.

Inflation is not thought to be a serious worry in either the bond or equity markets, but there is a lurking fear of *prospective* reflation resulting from the Clinton plan.

Taken as a group, Wall Street investors appear to be undecided about which way to turn. Almost inevitably the lemmings who constitute the majority are allowing themselves to be pushed and shoved by short-term events and indicators.

For example, Thursday's cut in German interest rates triggered a healthy 38.90 point jump in the Dow Jones index. But the short-termers may not recall the underlying rationale for the cut - the deepening recession in the national economy which serves as Europe's economic engine.

Wall Street was delighted at the Bundesbank's rate cut, but most investors forgot that many US exporters and multinational companies will find it hard for some time to sell their products into the weakened European market.

In the domestic US economy there are other examples of enigmatic investor sentiment. The US car industry is working hard to restructure itself, but all the strong medicine being taken in Detroit seemed to be eclipsed by the angst this week of one man at one US car company - General Motors.

The reason was the melodramatic cliffhanger scripted by José Ignacio Lopez de Arriortua, the GM man with the allegedly magic touch. Lopez's indecision over whether to stay at GM or to take a top job at Volkswagen (he eventually chose the latter) looked at times like a cross between a Peter Sellers farce and a Samuel Beckett existential mope.

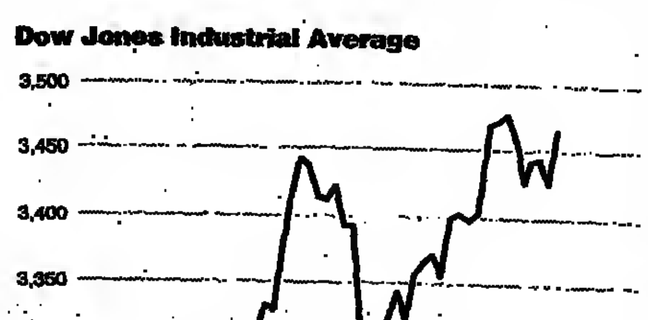
The question it should raise for investors is to what extent GM's recovery plan depended on the efforts of one Spanish manager who was only brought to Detroit two months ago.

As for the *pharmaceuticals* industry, investors can bite their nails along with executives from that sector, who are alternating between states of panic and anger as they gaze at the price-ceiling and other policy options that may be part of Hillary Rodham Clinton's health care reform package, to be unveiled in early May.

The battering taken by several drug stocks implies that what may be good for US society (cheaper health care available to a larger number of poorer people) could be painful for a number of drugs manufacturers.

Alan Friedman

Dow Jones Industrial Average



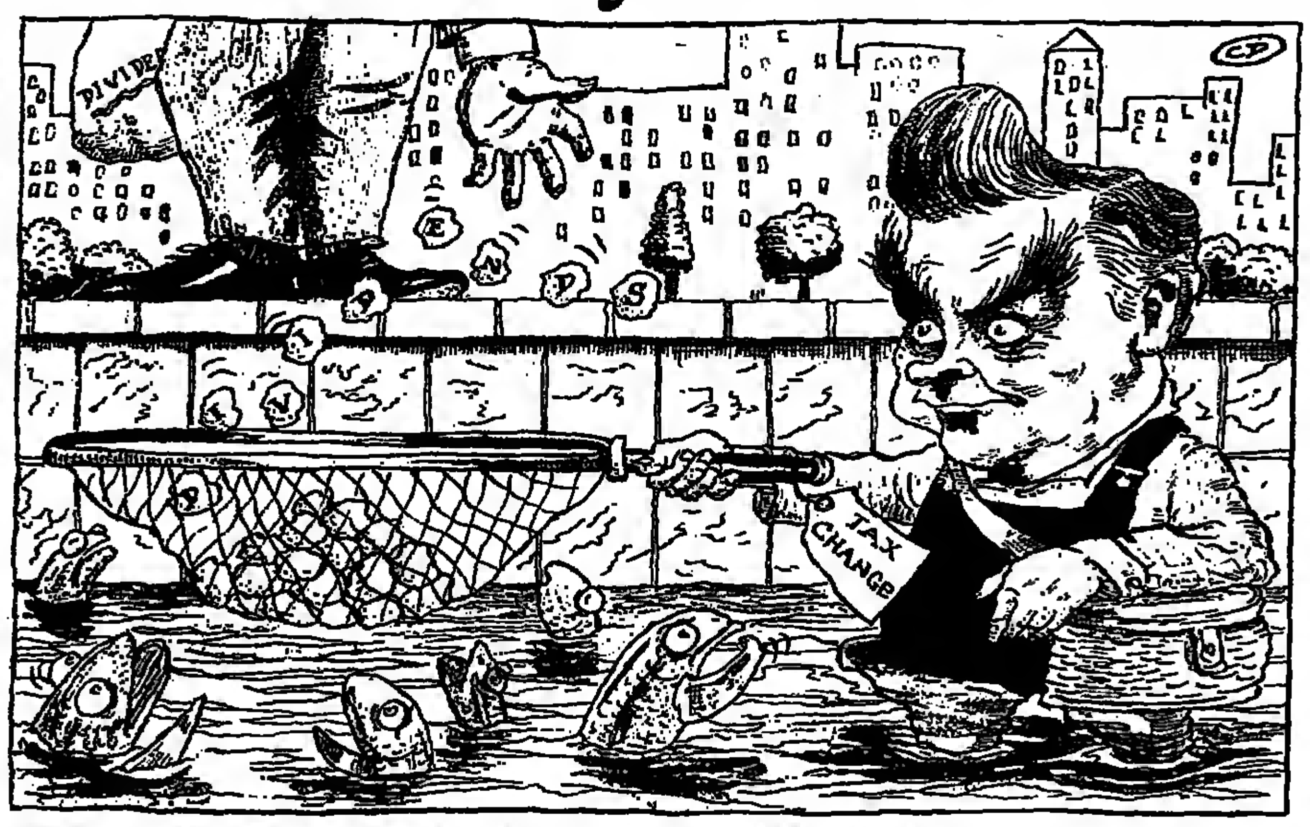
Monday	3442.41	+ 14.59
Tuesday	3442.95	+ 0.54
Wednesday	3426.74	- 16.21
Thursday	3465.64	+ 38.90

FINANCE AND THE FAMILY

THE BUDGET AND YOU

Dividends

Tax cut will hit your income



IT MAY SEEM confusing that a cut in the tax rate on dividends is bad news for private investors. But it is.

Both non-taxpayers and higher rate taxpayers look set to suffer a cut in dividend income of about 6.25 per cent as a result of the change. Someone who previously had net dividend income of £10,000 will see that fall to £9,375.

However, there is some good news. Basic rate taxpayers will be unaffected. And corporate dividend policy may change to cushion shareholders from part of their loss, although this will be difficult in the light of low dividend cover ratios.

Tha change is complicated in effect because companies do not pay a "gross dividend" – they pay a net dividend and a further payment (the equivalent of basic rate tax) to the Inland Revenue. This is a downpayment on the company's tax bill, hence the name Advance Corporation Tax. It is a convenient way for the government to use the corporate sector as a tax collector.

Under the old system, if the company declared a net dividend of 7.5p, the investor would receive the dividend payment, together with a tax credit of 2.5p. (see table)

Non-taxpayers (such as pension funds) could use the tax credit to reclaim the tax paid from the Inland Revenue. In effect, they received a gross dividend of 10p.

Basic rate taxpayers needed to do nothing; the net dividend reflected the impact of 25 per cent tax. They thus had no further tax liability, nor any ability to reclaim tax. Higher rate taxpayers were assessed as having received a gross dividend of 10p. At the 40 per cent rate, they were liable to pay 4p in tax. Thus in addition to the 2.5p already deducted, they had to pay an additional 1.5p, leaving them with 6p.

Under the new system, the tax rate on dividends is 20 per cent. If companies pay the same net dividend of 7.5p, non-taxpayers will get a tax credit of just 1.875p. This makes the gross dividend 9.375p (9.375p, less 20 per cent, is 7.5p). The effect is to cut gross dividends by 6.25 per cent (from 10p to 9.375p), hitting pension funds and Pep holders.

Basic rate taxpayers will still get the net dividend of 7.5p and will face no further charge. So the effect on them is neutral.

But higher rate taxpayers will face an additional charge – the difference between 20 per cent and 40 per cent tax. So instead of a further 1.5p payment (under the old system), they will have to pay 1.875p (20 per cent of 9.375p). Their net income will be 5.625p, instead of 6p under the old system, a decline of 6.25 per cent.

This may cause some investors to increase that part of their portfolios they hold in bonds, rather than in equities. This may have been part of the chancellor's intention since he has a lot of gilts to sell.

However, there may be some unintended consequences of the chancellor's move. The income shares of split capital investment trusts became less attractive after the change.

As Nigel Sidebottom, associate director of brokers Gerrard Vivian Gray, points out: "Split level income shares – particularly those with very high flat yields and annuity characteristics – provide virtually all their return to shareholders in the form of income. Pension funds holding these shares will as a result suffer significant reduction in returns.

"The gross redemption yield will in some cases fall by over 2 per cent as a result of the change" adds Sidebottom. "The market reacted quickly to the change with most income shares being marked 2 to 3 per cent lower first thing on the morning after the Budget."

The full implications of the change may take some time to appear, as companies review their dividend policy.

But there are two consequences: equities have become slightly less appealing; and within the field of equity investment, capital gain has become more attractive, relative to income.

EFFECT OF CHANGE IN ACT ON DIVIDENDS

	Old system	New system
Notional gross dividend	10p	9.375p
Return to Pep holders	10p	9.375p
Tax credit	2.5p	1.875p
Net dividend	7.5p	7.5p
Return to basic rate tax payer	7.5p	7.5p
Higher rate tax	1.5p	1.875p
Return to higher rate taxpayer	6.0p	5.625p

Peps will also suffer

PERSONAL equity plans have become less attractive relative to other non-equity investments as a result of the tax change.

As the table shows, Pep investors should suffer a drop of around 6.25 per cent in income, unless companies increase their dividends to compensate investors for the change. But the result will be to reduce the return on a Pep which currently yields 5 per cent to 4.69 per cent.

This particularly reduces the relative attractions of Peps for basic rate taxpayers, since their dividend income outside a Pep will not be affected.

The benefits of a Pep for many basic rate taxpayers were already marginal for those plans with extra charges. If a fund yields 4 per cent gross the tax saving to a basic rate payer in 1992-93 was 1 per cent, or £60 on a £6,000 investment. Some Pep managers make an initial charge of 1 per cent plus VAT, more than wiping out the tax saving.

The change in the tax system would reduce the saving on such a fund to £45, and may tip some plans below the break-even point for basic rate investors. They should concentrate on Peps with no extra charges. This is true of nearly all unit trust Peps; it remains the case that if you are prepared to buy the unit trust, then you might as well buy it in Pep form. However, remember that most unit trusts have an initial capital charge of £300 on a £6,000 investment. The lower this charge the better.

Higher rate taxpayers will also see a fall in the gross yield on Peps. However, since their dividend income outside a Pep will drop by 6.25 per cent, their tax saving will remain at 40 per cent. Furthermore, they are more likely to benefit from the capital gains tax exemption Peps provide.

Nevertheless, Peps will still be less attractive, compared with other investments such as gilts, than they were before.

Pep managers spoken to this week dismissed the effect as "marginal"; they maintain a Pep is still attractive to both basic and top rate payers.

Certainly, equities remain the best long term investment and provided the investor is able to hold on to a Pep for 10 years or so, the advantages should still be clear. Those who should reconsider a Pep are basic rate payers in funds with additional charges.

Investors who are in low-charging plans should have no reason to give up their plans; and a Pep still remains an excellent way of saving to repay a mortgage.

In the short term, the change may increase the popularity of bond-equity plans. Since bonds are unaffected by the tax change, yields on such Peps will be less affected than pure equity plans and may even gain. Fidelity says the yield on its mixed Pep will rise.

Philip Coggan

Income Tax Self Assessment

The DIY tax bill

DECIDING for yourself how much tax you have to pay sounds like a dream, but some 8m people who fill in a tax return will, for the 1996/97 tax year, have the choice of assessing themselves for tax. Half are self-employed, the rest are pensioners and employees who receive tax return forms. Employees under the pay-as-you-earn system and deduction at source arrangements will not be affected.

Under the proposed system, those who fill in a tax return would make their own assessment by working out how much tax is due on their income. At present they declare their income and expenditure and leave it to the Inland Revenue to calculate tax liability.

"The new system will do away with the present rigmarole of raising assessments, appeals, agreeing payments and adjustments to the final payment, which is unproductive," said Maurice Parry-Wingfield, tax partner at Touche Ross. "If more taxpayers understand and are more involved in their tax affairs, that can only be welcome."

Self-assessment will be made possible because the current system will be simplified. The complex "preceding year" basis of income tax for the self-employed will be changed: if all goes to plan, all income tax will be taxed on a common current year basis from 1996/97. This means that tax from self-employment will be paid in the year in which it is earned, rather than a year later. One year will drop out of the tax calculations for the self-employed and transitional provisions will be made so that businesses will not be taxed twice.

Another change is the decision to issue the self-employed with one tax statement and one tax bill for all income regardless of whether it comes from employment, freelance earnings or investment. The taxpayer will have to deal with only one tax office. The Inland Revenue says the changes are intended to make the process of tax returns and payments "simpler and fairer."

But self-assessment has disadvantages. Those who choose it will have their tax payments brought forward since assessment will be on a current year basis and their payments to the Revenue have to be included with their completed tax assessment form.

There is also the issue of "random audits" which the revenue says is necessary to deter those hoping to pay less tax as a result of self-assessment. This would give the Inland Revenue an unrestricted right to check accounts, without giving a reason, within one year of them being filed. At present, the Inland Revenue has to tell a taxpayer why it wants to check the account.

"Most of the benefits are for the Inland Revenue and their administration," said John Battersby, tax partner at KPMG Peat Marwick. "They will have the prospect of money coming in more quickly as a result. Random audits mean that for a whole year after you have filed you do not not know whether your assessment will be accepted and if the Revenue challenges you, you will not know the reason."

"I do not think it will be that wonderful," said Martin Ben-Nathan, of chartered accountants Casson & Beckman. "You will have to work out your own tax and if you get it wrong, there will be penalties. It might be better to get the Inland Revenue to do the work."

Consultation is continuing between the Revenue, employers and representative bodies.

Scheherazade Daneshkhu

FINANCE AND THE FAMILY

THE BUDGET AND YOU

Business Expansion Schemes

A problem with deadlines

AFTER THE party comes the hangover. The Business Expansion Scheme binged on non-recourse loans in the weeks leading up to the Budget, as they allowed investors to exit from their investments after only six months.

But the chancellor's decision to outlaw any loans connected to BES shares, with effect from the midnight before, caught several sponsors unawares. One, BZW, is still unsure of whether it allocated in time for the deadline.

Orial Residences, sponsored by Downing Corporate Finance, and Residences At Bristol, sponsored by Hodgson Martin, had failed to meet the deadline and intends to repay investors' money.

The Oriel scheme was relaunched yesterday without a loan option, and will now be known as Oriel Cash-backed. After five years, it will guarantee an exit price of £1.15 for every £1 invested now. Investors in the original Oriel company are being invited to vote for the company to be wound up, and their cheques have not been cashed.

Yorkshire Flexible, sponsored by Capital for Companies, had raised and allotted £9m before the Budget deadline. Another £3m was received on Tuesday, but the cheques were not cashed and investors have the option to withdraw. They would still receive tax relief, but would be unable to accept the loans which were central to the package.

Anyone buying BES shares from Budget day onwards is barred from using them as security for any kind of loan. You will not even be able to take out a bank loan with BES shares as security, if those shares were bought on budget day or after.

If you invested in the BES and shares were allotted to you before the chancellor's deadline, you can borrow against them without losing tax relief.

However, the guidelines for deciding when shares have been allotted are controversial. According to the Inland Revenue, it will not be necessary to receive share certificates by the relevant date. Normally, tax inspectors will decide that shares have been allotted when a shareholder's name has been entered in the register of members, and this can normally be done very quickly using computers.

However, this decision is at the discretion of individual tax inspectors, which could lead to confusion – as has happened in the case of BZW, which raised £25m to finance Barclays repossessions via the Gracechurch BES companies last month.

While this mess remains to be tidied up, the rest of the BES industry has returned to schemes which require investors to hold on their shares for five years. These are unaffected by the budget.

Schemes now fall into two broad types – those which seek to assure an exit after five years by contracting to pay investors a fixed price, and those which offer no attempt at a guarantee but aim to maximise capital growth.

According to the Allenbridge Group, 14 contracted exit schemes were on the market by the end of the week. The strength of the guarantor is vital when assessing these schemes. "Cash-backed" offers, where a separate sum of money is placed on deposit so that it can reach the contracted exit price after five years, may also be attractive. Allenbridge lists a further 24 assured tenancy companies without any guarantee.

As this week's problems have demonstrated, BES investment is not for the uninitiated. Main BES advisers are Allenbridge Group (071 409 1111) and BESt Investment (071 613 0032).

John Authers

Expatriates /Donald Elkin

Why not buy a pied-à-terre?

THE CHANCELLOR proposes to abolish the "available accommodation" rule. This treats individuals in the UK, for a temporary purpose only, as resident for tax purposes for any tax year in which they visit the UK – no matter how short the visit – and where they have accommodation available for their use.

The rule's abolition will apply to both income and capital gains tax from April 6.

In spite of the change, resident status will be incurred in any of the following ways:

■ Coming to the UK with the intention of remaining permanently or for over three years.
■ Visiting for more than 182 days in any tax year.
■ Visiting for more than 90 days per year by reference to an average of four consecutive tax years.

It may be some time before all the ramifications of the current changes become clear. Ownership of property will continue to be relevant to resident status, although not to the previous extent.

For example, if you claim to be departing the UK for permanent residence overseas, whether you dispose of your UK home or not will determine respectively: whether UK non-residence is admitted immediately; or whether you will be required to wait three years for a retrospective ruling.

Similarly, owning or acquiring a property when you arrive in the UK may be taken as indicating your intention to reside in the country for an extended period.

Some results of the change are clearer. Britons who have emigrated to the sun following retirement and who have been deterred from maintaining a UK pied-à-terre, need hesitate no longer. Similarly, foreign businessmen who are regularly in the UK and would like to acquire accommodation, should be able to do so without fear of tax consequences.

Under current law both would risk liability to tax on overseas income and gains.

British expatriates, staying in their UK homes between overseas contracts, have faced even greater problems. Most will have been UK domiciliaries and the acquisition of UK resident status carried with it the danger of tax on worldwide income and gains.

Expatriates who perform "duties of substance" in the UK while maintaining accommodation there, have faced the same sort of problem. While most will have succeeded in excluding their salaries from liability by means of the foreign earnings deduction, they typically became chargeable to tax on worldwide investment income and gains.

All of the above people will gain from the impending change. Their overseas income and gains will remain outside the charge to UK tax, provided they keep their visits within the six months per annum/three months average rules.

But there are snags. Wives who had previously been regular UK residents will no longer be able to enjoy an annual Pep, while others may find their right to personal pension plans has evaporated.

All this assumes the legislation will pass through Parliament. However, that is not a foregone conclusion.

■ *Donald Elkin is a director of Wilfred T. Fry of Worthing, West Sussex.*

Insurers: OFT acts

THE OFFICE of Fair Trading put its oar into the murky waters of life insurance this week with two reports containing proposed reforms in disclosure rules. The chancellor must now decide whether to accept them.

One report, which could be implemented quickly, suggests amending *four rules proposed* by the Securities and Investments Board (SIB).

■ Independent advisers' commission
The OFT want IFAs to disclose their commission, in cash terms, before a sale.

■ Own charges in illustrations
At present, any projection in marketing literature assumes that a company has a set level of costs prescribed by the Life Assurance and Unit Trust Regulatory Organisation, even if these actually are much higher. Under the OFT's suggested rules, you would be able to see just how much more expensive they were.

■ Surrender values late in a policy
At present, projected surrender values for the first five years must be shown and, under SIB's proposals, these would have to be revealed in the context of the amount of premiums paid. Because the costs of administration and sales are deducted at the beginning of the policy, investors often make a loss at this stage. But *surrender values later in the term* are also much worse than maturity values, and the OFT wants to force companies to disclose them.

■ Differential pricing for tied agents
Life companies are not now allowed to charge different prices for selling through different tied agents, even though the costs vary from agent to agent. The OFT hopes that prices would fall if companies were allowed to make differential charges.

In a second report, the OFT calls for each life company to announce how many of its policies are surrendered. It would also require life offices to send annual statements to policyholders, like those given to unit trust investors.

John Authers

Week Ahead

Wellcome, the UK pharmaceuticals group, reports half-year results on Thursday with analysts forecasting pre-tax profits of between £295m and £325m against £244m a year earlier on sales of about £1bn.

Retrovir, the HIV-treatment, is expected to generate between £120m and £140m, while estimates for sales of Zovirax, the herpes and chickenpox medicine, range from £345m to £385m.

Bowater, the packaging and industrial films group, announces its 1992 results on Tuesday. It released estimated results, showing an unaudited pre-tax profit of £147m, a 48.5 per cent increase on 1991, last month when it announced the £434m acquisition of Specialty Coatings International, the US coatings company.

Full-year results on Tuesday from Invergordon Distillers, the independent Scotch whisky producer, are likely to reflect the increased pressure on margins in the bulk whisky market. After five years of strong growth, pre-tax profits are expected to be virtually flat at £32.4m against £32.2m in 1991.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in pence unless otherwise indicated				
Aberdeen Pet.	14½	50	16	7.47	Pitlencrieff
Brabant	58	58	38	9.64	Aberdeen Pet.
Buckingham	2¾*	5¼	4½	3.31	Purlieus
Clifford Foods	573*	578	523	12.81	Unigate
Do. A.	251*	256	219	35.99	Unigate
Drayton Asia	118	114	113	119.59	EFM Dragon
East Worcester	2432	475	475	26.30	Severn Trent
East WorcesterN/V	1920	325	325	2.40	Severn Trent
Hawthorn Leslie	1½	1¾	2½	2.85	Vadafone
Hoskyns	469*	50	464	433.00	Cap GeminiSogeti
Hunter Saphir ‡	42*	43	36†	10.37	Albert Fisher
Platon Int'l	26	32	20	2.77	Wills
Wheway	8½	9	7½	13.28	McLeod Russel

*All cash offer. ††Cash alternative. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 19/3/93. §§Shares and cash. †Price at suspension.

RESULTS DUE

Company	Sector	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
AMEC	C&C	Wednesday	4.0	8.25	2.0
APV	Eng	Thursday	2.0	3.4	2.0
Argos	Strs	Monday	2.1	4.3	2.2
Astec (BSR)	Elec	*Monday*	-	-	-
BNB Resources	BsSr	Thursday	1.6	3.3	1.6
BSG International	Mot	Wednesday	0.7	2.5	0.7
Barr & Wallace Arnold Tst	H&L	Tuesday	3.0	7.0	3.0
Bensons Crisps	FdMa	Tuesday	0.7	2.15	0.7
Beradin Holdings	Otln	*Thursday*	-	*0.55*	-
Bernard Matthews	FdMa	Wednesday	2.0	2.5	1.0
Blenheim Group	Med	Wednesday	7.0	5.5	8.3
Bluebird Toys	Misc	Tuesday	-	-	-
Booker	FdMa	Thursday	7.5	14.25	7.5
Bowater	PP&P	*Tuesday*	*9.5*	*12.5*	*9.7*
Breedon	BdMa	Friday	1.75	2.85	1.75
Bridon	Eng	Tuesday	2.5	1.5	1.25
Britannic Assurance	InLI	Monday	9.2	20.3	10.3
Bunzl	PP&P	Monday	1.8	2.2	1.8
CIA Group	Med	*Tuesday*	1.15	2.6	1.32
Capital Industries	PP&P	Monday	-	2.0	1.6
Canning (W) Group	Chem	Thursday	2.94	4.35	2.94
Clinton Cards	Strs	Tuesday	1.5	2.25	1.5
Clyde Petroleum	O&G	Tuesday	0.5	0.75	-
Dewsongroup	Tran	Thursday	-	1.5	0.75
Derwent Valley	Prop	Tuesday	2.9	5.7	2.9
Dunkeld Group	Tex	Thursday	-	-	-
ERA Group	Strs	Monday	-	-	-
Edinburgh Oil & Gas	O&G	Tuesday	-	-	-
Esselte AB	Misc	Tuesday	-	-	-
Ferrum Holdings	Eng	Tuesday	1.1	1.4	1.1
Gerton Engineering	Mot	Friday	1.75	5.25	1.0
Geest	FdRe	Wednesday	3.8	4.3	3.7
Gibbs & Dandy	BdMa	Wednesday	-	-	-
Goal Petroleum	O&O	Monday	-	1.25	-
HTV Group	Med	Friday	1.5	2.25	1.5
Headline Book Publ	Med	Thursday	0.5	2.5	1.5
Henlys	Mot	Wednesday	1.0	2.0	1.0
Hepworth	BdMa	Friday	5.5	9.35	5.5
Hibernian Group	InCo	Monday	-	-	-
Iceland Frozen Foods	FdRe	Tuesday	2.65	5.85	3.1
Invergordon Distillers	B&D	Tuesday	2.5	4.0	2.8
Johnston Press	Med	Wednesday	2.0	3.5	2.25
Kingfisher	Strs	Wednesday	4.0	9.0	4.2
Kynoch Group	H&H	Monday	-	-	-
Laing (John)	C&C	Thursday	3.0	6.0	3.0
Lambert Howarth Group	Misc	Wednesday	4.0	8.25	4.25
Lasmo	O&G	Wednesday	2.3	6.2	2.3
Lex Service	Mot	Wednesday	4.0	6.0	4.0
More O'Ferrall	Med	*Tuesday*	3.2	*10.0*	3.2
Morrison (Wm.) Supermkts	FdRe	Thursday	0.13	1.8	0.15
National Express Group	Tran	Friday	-	-	-
P-E International	Elec	Monday	2.0	4.2	2.0
P & O	Trns	Tuesday	13.5	17.0	13.5
Padang Senang Holdings	Otln	*Thursday*	-	-	-
Pendragon	Mot	Monday	2.0	4.0	2.2
Pittard Garnar	Misc	Thursday	-	1.5	0.5
Plasmec	Eng	Thursday	1.0	1.5	1.5
Portmeirion Potteries	Misc	Friday	2.25	5.1	2.25
Prudential Corp	InLI	*Tuesday*	3.9	7.2	4.1
Reckitt & Colman	H&H	Thursday	5.55	9.55	5.95
Redland	BdMa	Thursday	8.25	16.75	8.25
Relyon Group	Misc	Tuesday	1.75	3.15	1.75
Rutland Trust	OtFn	Monday	0.27	0.53	0.27
Secure Trust Group	OtFn	*Tuesday*	3.5	8.5	*4.0*
Sharpe & Fisher	BdMa	Monday	1.5	2.5	1.6
Sheffield Insulations	BdMa	Wednesday	1.8	3.6	1.8
Slough Estates	Prop	Wednesday	4.4	7.15	3.1
Spear (JW)	Misc	Tuesday	2.0	8.0	2.5
Sphere Investment Trust	InTr	Thursday	-	-	-
Spring Ram Corp	BdMa	Monday	0.066	0.202	0.103
Steel Burrill Jones	InBr	Wednesday	4.25	9.0	4.25
Suter	Otln	Monday	3.2	5.6	3.2
Trinity International	Med	Tuesday	2.8	5.8	2.7
UniChem	H&H	Tuesday	1.7	3.3	1.5
United Newspapers	Med	Thursday	7.5	13.5	7.5
Weir Group	Eng	Wednesday	3.1	7.4	3.5
Wilson Bowden	C&C	Monday	2.5	6.2	2.5
Wolstenholme Rink	Chem	Thursday	6.3	10.0	6.5
Woodchester Investments	OtFn	Thursday	-	-	-
INTERIM DIVIDENDS					
Barratt Developments	C&C	Wednesday	-	2.0	-
Barry Wehmiller Intl	Eng	Wednesday	2.4	4.3	-
Community Hospitals	H&H	Thursday	2.4	4.1	-
Dorling Kindersley	PP&P	Wednesday	-	-	-
Ex-Lands	H&L	Tuesday	-	-	-
Frogmore Estates	Prop	Monday	3.4	11.6	-
Halstead (James)	Chem	Monday	4.5	7.5	-
Manganese Bronze	M&MF	Wednesday	-	1.0	-
Maunders (John)	C&C	Thursday	2.3	2.65	-
Nesco Invs	Elec	Monday	-	-	-
Polypipe	BdMa	Tuesday	0.63	1.34	-
Pressac Hldgs	Elec	Tuesday	0.75	1.65	-
Ricardo Group	Misc	Wednesday	1.9	3.8	-
Sunset & Vine	Med	Tuesday	1.5	2.0	-
TR Far East Inc Tst	InTr	Friday	1.1	1.2	-
Tay Homes	C&C	Monday	1.2	4.65	-
Thorpe (FW)	Elec	Thursday	0.8	1.7	-
Trafford Park Estates	Prop	Thursday	0.85	1.725	-
UDO Hldgs	Misc	Friday	1.94	4.76	-
Wellcome	H&H	Thursday	4.0	8.0	-
Wetherspoon (JD)	B&D	Wednesday	-	-	-
Wolseley	BdMa	Tuesday	3.1	9.45	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.
Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Abbott Mead Vickers	Med	Dec	4,720	(5,020)	18.71	(22.09)	9.3	(8.4)
Alliance Trust	InTr	Jan	17.79‡	(15.39‡)	45.7	(43.5)	45.0	43.0
Antofagasta	Mine	Dec	23,480	(19,160)	60.0	(50.2)	20.0	(19.0)
Arjo Wiggins Appleton	PP&P	Dec	151,000	(231,000)	11.6	(18.0)	8.5	(8.35)
Automated Security	BsSr	Nov	45,100	(3,300)	5.3	(4.9)	25.8	(-)
Avonside	C&C	Dec	4,580	((7,880)	7.08	(12.4)	4.0	(-)
BPP	BsSr	Dec	7,080	(6,390)	16.0	(17.3)	8.0	(6.9)
Baynes (Charles)	Otln	Dec	*5,560*	(4,470)	2.8	(3.81)	1.43	(1.36)
Bedford (Wm)	Strs	Dec	272 L	(210 L)	-	(-)	-	(-)
Bowthorpe	*Elec*	Dec	42,700	(40,300)	15.36	(14.04)	8.39	(8.04)
British Mohair	Tex	Dec	2,100	(2,620)	10.8	(13.71)	8.5	(8.5)
Burford Holdings	*Prop*	Dec	52	(698)	2.98	(1.82)	1.15	(0.95)
Caliber Holdings	OtFn	Dec	12,400	(9,800)	7.82	(6.13)	4.2	(3.8)
Celestion Indust.	Tex	Dec	11	(1,060 L)	0.2	(-)	1.4	(1.2)
Chieftain Group	BdMa	Dec	513	(1,060)	4.63	(8.27)	5.1	(4.9)
Church & Co	Strs	Dec	1,900	(1,700)	12.0	(11.8)	12.5	(12.5)
Claremont Garments	Tex	Dec	8,470	(8,280)	16.4	(13.8)	7.25	(6.5)
Coats Viyella	Tex	Dec	109,100	(96,700)	10.2	(10.0)	7.25	(7.0)
Co-op Bank	Bank	Jan	9,800	(5,900)	0.1	(-)	-	(-)
CrestaCare	H&H	Dec	1,490	(13,200)	-	(-)	0.5	(0.7)
Cussins Property	C&C	Dec	740	(365 L)	10.3	(-)	-	(-)
Daniels (S.)	FdMa	Dec	64 L	(158 L	1.0	(2.0)	0.25	(0.25)
Davis Service	BsSr	Dec	17,500	(14,500)	15.0	(12.98)	7.98	(7.98)
Delta	Elec	Dec	55,040	(64,050)	23.0	(27.0)	14.0	(14.0)
Edmond Holdings	C&C	Dec	1,150 L	((1,730)	-	(-)	0.5	(1.85)
English China Clays	Otln	Dec	86,200	(115,400)	21.87	(31.25)	20.0	(20.0)
English & Scot.Inv.Tr	*InTr*	Jan	3,210	(3,290)	1.38	(1.45)	1.75	(1.75)
Evans Halshaw	Mot	Dec	1,710	(3,860)	10.9	(13.8)	11.25	(11.25)
Expamet International	Otln	Dec	4,400	(7,300)	5.08	(9.06)	3.25	(10.38)
Fisher (James)	Tran	Dec	1,490	(2,110)	2.66	(6.84)	1.0	(5.5)
Forward Technology	Elec	Dec	186	(872 L)	-	(-)	-	(-)
Graseby	Elec	Dec	1,000	(7,500)	1.3	(8.7)	10.9	(10.9)
Guinness	B&D	Dec	795,000	(900,000)	28.1	(33.0)	11.85	(10.8) 9
HSBC	Bank	Dec	1,710,000	(880,000)	82.07	(38.06)	19.0	(12.71)
Hall Engineering	Eng	Dec	3,730	(5,070)	3.05	(11.3)	8.64	(8.64)
Heywood Williams	BdMa	Dec	5,500	(19,200)	1.7	(17.4)	12.5	(12.5)
Holders Technology	Misc	Nov	394	(369)	9.07	(8.55)	6.0	(6.0)
IMI	Eng	Dec	68,000	(73,200)	13.8	(15.0)	10.0	(10.0)
ISA International	Elec	Dec	3,040	(2,120)	6.45	(4.31)	1.5	(1.365)
JIB Group	Ins	Dec	32,200	(20,100)	7.5	(5.0)	10.1	(13.6)
Johnson Group Clnrs	BsSr	Dec	15,600	(16,000)	41.1	(40.7)	23.7	(23.7)
Kwik-Fit	Mot	Feb	17,100	(32,100)	7.06	(13.27)	3.35	(3.35)
Laporte	Chem	Jan	86,600	(96,400)	39.2	(40.0)	19.5	(18.8)
Law Debenture	InTr	Dec	514.02	(426.33)	20.07	(18.82)	18.25	(17.8)
Legal & General	InLI	Dec	116,100	(38,800)	18.5	(8.86)	19.1	(18.8)
Lionheart	Misc	Dec	870 L	(2,390)	-	(1.05)	0.2	(0.5)
Marley	BdMa	Dec	8,100	(25,000)	0.7	(6.0)	4.2	(6.35)
Martin Currie Pacific	InTr	Feb	186	(204)	0.94	(1.10)	0.4	(0.4)
McDonnell Douglas Intl	n/a	Dec	19,400♦	(15,800)	-	(-)	-	(-)
Metalrax	Eng	Dec	7,310	(7,210)	5.81	(5.83)	4.0	(3.53)
Nichols (JN) Vimto	FdMa	Dec	8,360	(7,700)	35.4	(32.8)	13.8	(12.5)
Peek	Elec	Dec	7,130	(6,060)	4.2	(3.6)	3.4	(3.4)
Plantbrook	Misc	Dec	9,050	(6,630)	6.78	(5.51)	3.0	(3.0)
Portals	PP&P	Dec	25,500	(23,200)	28.74	(28.06)	14.5	(13.8)
Premier Cons. Oil	O&O	Dec	18,600§§	(6,640)	2.9	(1.72)	-	(-)
Quicks Group	Mot	Dec	2,000	(952 L)	7.5	(-)	4.5	(3.0)
Ransomes	Eng	Dec	900	(4,600)	-	(-)	-	(-)
Rea Brothers	Bank	Dec	805	(261)	0.82	(-)	0.5	(0.5)
Record Ridgway	Misc	Dec	1,250	(3,330)	2.2	(6.9)	3.6	(3.6)
Reed International	Med	Dec	137,000♦	(124,400)♦	17.2	(15.7)	12.75	(15.0)
Rentokil	BsSr	Dec	122,400	(94,800)	8.35	(6.90)	2.2	(1.5)
Rotork	Eng	Dec	10,500	(9,500)	22.69	(21.00)	4.7	(3.9)
Rugby Group	BdMa	Dec	57,800	(57,300)	13.1	(13.1)	8.45	(8.45)
Schroders	Bank	Dec	64,000	(52,100)	100.5	(82.2)	22.0	(18.0)
Seafield Resources	O&G	Dec	1,050	(258)	1.7	(0.8)	-	(-)
Simon Engineering	Eng	Dec	5,320	(16,300)	2.8	(12.5)	3.0	(15.7)
Sotheby's	Misc	Dect	6,480	(21,500)	25.0	(32.0)	-	(-)
Spandex	Misc	Dec	4,450	(4,200)	22.5	(20.4)	6.5	(6.0)
Takare	H&H	Dec	11,840	(7,590)	12.1	(10.1)	1.8	(1.5)
Telemetrix	Elec	Dec	9,800	(4,100)	5.0	(1.7)	0.8	(0.6)
Trade Indemnity	InCo	Dec	4,900 L	(46,600 L)	-	(-)	-	(-)
Try Group	C&C	Dec	1,380	(961)	*3.4*	*(7.4)*	*1.0*	*(6.0)*
United Biscuits	FdMa	Dec	162,300	(197,200)	22.4	(28.1)	15.3	(15.3)
United Uniform Servs.	Tex	Dec	3,850	(3,400)	10.9	(10.1)	3.0	(3.0)
Victaulic	Eng	Dec	13,550	(14,320)	20.3	(21.25)	7.8	(7.35)
Vinten	Otln	Dec	10,200	(9,180)	21.7	(20.5)	7.0	(6.6)
Wassall	Con	Dec	17,800	(10,300)	10.0	(8.7)	2.5	(2.0)
Watmoughs	Med	Dec	12,210	(8,100)	26.0	(20.6)	11.5	(10.5)
Wiltshire Brewery	B&D	Nov	*979 L*	*(1,390)*	-	(-)	-	(-)
Wimpey (George)	C&C	Dec	112,400 L	(15,100 L)	-	(-)	5.25	(10.5)
WSP Holdings	Misc	Dec	513	(1,060)	3.5	(7.2)	2.0	(2.9)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Allwoods	Misc	Jan	15,500	(13,900)	1.75	(1.75)
Bolton Group	Prop	Oct	21	(51)	-	(-)
British Build.& Eng.	C&C	Dec	1,410	(-)	2.5	(-)
Cala	C&C	Dec	2,850	(1,570)	0.75	(1.15)
Dunlon Group	C&C	Nov	852 L	(252 L)	-	(-)
European Leisure	H&L	Dec	54	(45,820 L)	-	(-)
Green (Ernest) & Prt	C&C	Dec	302	(468)	2.75	(2.75)
Headway	*Otln*	Dec	883 L	(1,200 L)	-	(-)
MAI	OtFn	Dec	33,900	(30,200)	2.0	(1.4)
Melville Group	C&C	*Dec*	893 L	(10,900 L)	-	(-)
Paterson Zochonis	H&H	Nov	12,900	(11,800)	2.35	(2.25)
Ratnus	BdMa	Dec	1,760 L	(142)	-	(-)
Scholes Group	Elec	Dec	1,330	(918)	1.6	(1.8)
Unigroup	BdMa	Dec	446	(904)	-	(-)
Walker (Thomas)	EngG	Dec	71 L	(5)	0.16	(0.16)
Whitegate Leisure	H&L	Feb	682	(1,510 L)		

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L loss. † figures in dollars & cents. ‡ net asset value per share. ♦ = Figures for nine months. ✦ = Operating profits. §§ = 12 month figures compared with previous nine months.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Associated Nursing Services is to raise £1.6m via a placing of 800,000 shares at 195p.

FINANCE AND THE FAMILY

THE BUDGET AND YOU

Company Cars

The winners and the losers

***Kevin Paterson** considers the new tax regime's impact*

IS YOUR company car worthwhile? Until recently, most company car drivers, whether work users or perk users, received a clearly tax-efficient benefit if the car was available for private use.

However, over the last six years the benefit has been eroded as company car tax charges have increased by more than 300 per cent compared with inflation of 40 per cent. In addition, chancellor Norman Lamont has announced a new tax regime based on the maker's recommended retail price – the list price – which will hit many company car drivers hard. Some will suffer further tax increases of more than 50 per cent from April 6 1994, although many will benefit to a lesser extent.

The move to list prices is also expected to have a big impact on car prices. The practice of heavy discounting to large fleet users ond fleet companies should lessen and list prices should fall. This will benefit the private purchaser, but will cause a rise in company car costs.

The new regime, expected to raise an extra £100m per year compared with 1992/93, is based ou a simple fixed percentage – 35 per cent – of the list price of tbe car when it was first registered (plus extras).

Business users will receive discounts of two-tbirds and one-third for heavy use (18,000 miles or more) and normal use (more than 2,500 miles) respectively. Older cars, four years old or more, will receive an additional discount of one-third.

Thus, if you were a company car driver of the soon-to-be-launched Ford Mondeo 1.8 GLX 5dr – voted 1993 Car of the Year by *What Car?* magazine – with a list price expected to be £14,600, doing 1,000 business miles, your taxable benefit in 1994 would be £5,110 (£14,600 x 35 per cent). For a 25 per cent taxpayer, this would cost £106 per month. Under the prevailing system, the tax charge would be £93 per month – an increase of 14 per cent.

If the driver covered 10,000 business miles, both figures would be reduced by one-third to £71 and £62 respectively.

Toble 1 shows how to calculote wbetber you will gain under the new rules. First, identify which of the five brackets your car falls into under the old system, based on its cost when new and its cylinder capacity. Then compare your car's actual list price to the breakeven list price shown in the first column. If your car's list price is greater than the breakeven figure, you are a loser; if it is less, you are a winner. For example, all drivers of 2-litre cars costing less than £19,250 will suffer if the list price of their car is greater than £12,814.

Table 2 gives examples of typical winners and losers. In genaral, the losers are those drivers who chose cars at the top of the old bands.

Deciding whether you are a winner or loser does not bowever necessarily resolve the question of whether your company car is still worthwhile. All the new regime has done is to reallocate the tax charges on a different, usually fairer, basis.

However, because of the retention of the 2,500 and 18,000 business mileage bands, the benefit continues to be governed by business use, rather than private use. There is little to support these arbitrary business use figures.

Also, the 35 per cent tax factor applied to list price is too crude a method of establishing a car's true annual cost. The true cost will be made up principally of depreciation, finance costs, maintenance and running costs and insurance (except fuel) together with the effect of taxes – income tax, corporation tax, VAT and national insurance.

It appears that the new system has been pitched at too high a level ond, in general, the new regime will over-tax company car drivers, both business users and perk drivers. A switch to cash will therefore be encouraged under the new rules.

Surprisingly perhaps, those drivers with bigb business mileage (30,000 plus) may suffer most under the new regime as their business use discount will be limited to two-thirds. However, for work car drivers, tax efficiency is not usually a big consideration, other commercial factors weighing far more heavily.

For perks car drivers (less than 2,500 miles), the tax factors carry their dua weigbt and we can expect many more situations where it will be beneficial to switch to casb. However, such drivers should also consider non-tax factors.

A car is probably the second largest purchase an employee would make, and the fact that all costs are usually borne by the employer, come what may, is a significant advantage.

Companies also usually have access to greater discounts and cheaper funding and can also recover VAT on maintenance costs. Thus, even if a company car is not tax efficient, the relative cost savings available through sourcing a car through the company may be enough to make the provision of a company car cost effective, in spite of its tax inefficiency. On the other band, the employee may be willing to downgrade or buy a used car.

In many cases, the tax considerations will outweigh other factors. In other cases, the employee will wish to stick with the car in spite of its cost. He may also wish to consider employee lease purchase plans. Tbe disadvantage of sucb schemes is their cost, because of increased credit risk.

The cash or car decision is not easy. One thing is certain, bowever, and that is that considerably more drivers will benefit from o switch to cash, and employers may be able to make significant cost savings in the process. We can also expect to see a growth in innovative scbemes designed to pass on tax savings to botb employees and employers.

■ *Kevin Paterson is a tax partner in the London office of accountants Ernst & Young.*

TABLE 1: BREAKEVEN LIST PRICES

Banding	Breakeven list price (£)	Annual taxable benefit (£) 2,500 miles or less	2,501-17,999 miles	18,000 miles +
Less than £19,250				
Engina size				
1400 cc or less	9,900	3,465	2,310	1,155
1401 to 2000 cc	12,814	4,485	2,990	1,495
Over 2000 cc	20,571	7,200	4,800	2,400
£19,251 to £29,000	26,614	9,315	6,210	3,105
Mora than £29,000	43,029	15,060	10,040	5,020

TABLE 2: WINNERS AND LOSERS

WINNERS	List price (£)	reduction in tax (per cent)	LOSERS	List price (£)	increase in tax (per cent)
Granada Scorpio 24v	29,135	32	Mercedes 190E 2.0	19,245	50
Nissan Micra 1.0 LX	7,275	26	Audi 100 2.0E Estate	19,170	50
Astra 1.7D GLS	10,635	17	Ford Granada 2.0 LX	19,155	49
Audi 100 Tdi	23,211	13	Vauxhall Carlton 2.0i CDX	18,875	47
Range Rover LSE	38,393	11	Volvo 850 GLT 2.0	17,995	40
Land Rover Discovery TDI 5dr	18,950	8	BMW 318i	16,100	26
Lexus LS400	38,999	7	BMW 750i	53,250	24
Rover 414 SLi	12,350	4	Rover 214 SLi	11,425	15
Renault 21 GTS Savanna	12,285	4	Ford Mondeo 1.8 GLX	14,600	14
BMW 525iX	25,900	3	TVR Griffith	27,495	3
Jaguar XJ6 3.2	26,200	2	Peugot 405 GR 1.8	13,085	2
Cavalier 1.8i GLS	12,520	2	Citroen ZX Advantage 1.4	9,995	1

The above figures have been calculated assuming all extras were fitted on supply of the car

Insurance Market

Gain and loss for Names

ALTHOUGH Lloyd's of London bas responded enthusiastically to the tax measures for the insurance market's hard-hit Names, the benefits are far from unalloyed.

The measures do nothing to help Names already hit by heavy losses. And while Names' advisers said the new reserving arrangements were more generous than they had anticipated, others were less enthusiastic, suggesting that a second measure – affecting the tax treatment of capital appreciation – will affect many Names adversely.

The most important measure is a new, more generous tax deductible reserve to meet future losses. This replaces the current special reserve fund, which allows Names to set aside up to £7,000 each year against higher rate tax. The level of the reserve has been unchanged since 1955.

According to tbe new arrangementa for the 1992 underwriting year, a Name will be able to transfer up to 50 per cent of profits to the new reserve each year, provided the value of the funds in the reserve does not exceed 50 per cent of the Name's overall premium income limit.

Amounts withdrawn will be made to fund losses or cash calls; withdrawals that are not used to meet losses will attract tax. The change "ahould allow Names to plan their business. The current system does not really allow them to 'set aside an extra bit just in case'", said John Reed, insurance tax specialist with Ernst & Young.

Robert Saunders, of Smith & Williamson, the private bank, said another feature of the new arrangements – that income and gains arising on assets in the reserve will be free of income tax and capital gains tax – was especially attractive to Names. "This is generous. It makes a lot of difference to prospects at Lloyd's."

But Charles Sturge, co-editor of the Chatset guides which analyse syndicate performance at Lloyd'a, said the change did nothing to help Names hit by losses between 1988 and 1991. "It is no big deal because most Names are likely to have underwriting losses carried forward from previous years, as well as the constant drip of losses from the 1992 year onwards." Names would have to pay profit commission to their agents on money invested into the new reserves.

Sturge is particularly critical of a second cbange. From 1994, the Inland Revenue will treat capital gains earned from appreciation of Names' premium trust funds (the funds into whicb premium income is paid) as income rathar tban capital. Present arrangements are beneficial to Names because capital gains are usually converted into tax losses by indexation allowances. These "tax losses" can be offset against capital gains a Name might make outside Lloyd's.

Sturge says the indexation allowance in an average year is worth about 3 per cent of a Name's premium income limit, or £30,000 for a Name underwriting £1m. "The average Name will be worse off as a result of this Budget."

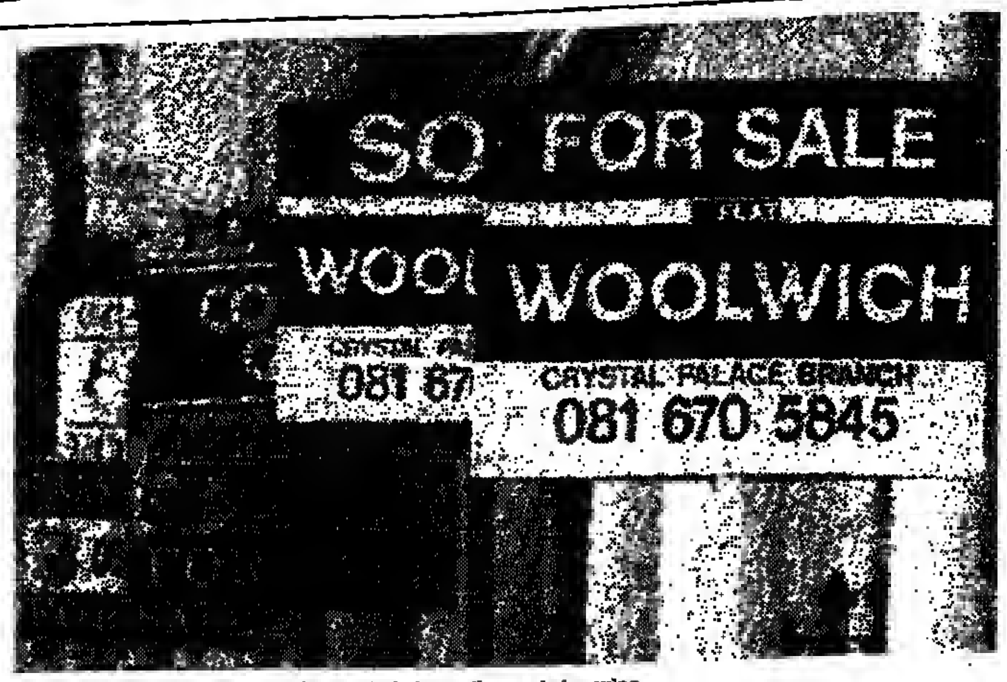
Richard Lapper

FINANCE AND THE FAMILY

THE BUDGET AND YOU

Housing

A welcome from lenders



The higher threshold for stamp duty could help get the market moving

HOUSING MEASURES outlined by the chancellor in the Budget were broadly welcomed by lenders this week.

Halifax, the largest lender, said its optimism was tempered by caution because the chancellor was relying on his Budget proposals to bring recovery to the market and improve employment prospects. Confidence remains the key to recovery, it said.

Of immediate significance was chancellor Norman Lamont's decision to raise the threshold for stamp duty from £30,000 to £60,000. Lamont said this would affect half the properties on the market and would benefit to first-time buyers and others at the lower end.

"We are very pleased and found it very encouraging," said Abbey National, the second largest lender. "For a first-time buyer £600 represents a significant saving."

The change applies to documents executed on or after Budget day, provided they are not stamped before March 23. The Inland Revenue said that any documents exchanged on or after March 16 would not be stamped until March 23 unless accompanied by a specific request to do so earlier.

House prices in the south east are higher than for the rest of the UK but Halifax expects the measure to benefit the market even in this most depressed of areas. It said that the average price paid by a first-time buyer in the south east is £50,000 and in greater London, £60,000 against a national average of £45,000.

The chancellor also said he would be limiting mortgage interest tax relief at source (Miras), to 20 per cent instead of 25 per cent. In recognition of the fragile state of the market, he said the measure would not be implemented until April 1994. Higher rate tax relief was abolished in 1991.

Tim Melville Ross, chief executive of Nationwide, the third largest lender, welcomed the move: "We have long advocated a phased withdrawal of mortgage interest tax relief and the redirection of some of the savings involved towards first-time buyers and owner-occupiers on low incomes."

The table shows the effect of the proposed Miras change. Under current mortgage rates of 7.99 per cent it represents an increase in monthly payments of a maximum of just under £10. Halifax said it did not expect the move to damage the market, partly because it was expected. "The stamp duty measure was helpful and Miras will not matter," it said.

The National Association of Estate Agents agreed. "It is probably the right time for the government to introduce changes, particularly now that mortgage rates are at their lowest level for many years," said Michael Jones, president. "The reduction will not have a profound effect on either those with homes or those thinking of buying."

However, if mortgage rates rise, the effect of the reduction in Miras benefit will be greater by pushing up monthly payments. John Cole, of Berry Birch & Noble, financial advisers, said the effect would be to make more people – especially those who have already scaled their mortgage down to £30,000, the maximum on which relief is available – wonder about the value of continuing to maintain a mortgage.

"A lot of people who have retired or have been made redundant are asking us whether they should pay off their mortgage. The proposed change to Miras will make people question further this benefit," he said.

The calculation involves balancing the return on a £30,000 investment against the value of tax relief of 20 per cent on a £30,000 loan. At the current mortgage rate of 7.99 per cent, a basic rate taxpayer would have to earn around 8.5 per cent gross on his savings, and a top rate taxpayer 10.65 per cent, in order for it to be worthwhile to have savings instead of repaying the loan.

People over 65 who have life annuity home income plan schemes which allow them to draw down some of the savings invested in their houses will be excluded from the Miras change and will continue to attract relief at 25 per cent.

Lamont also made it easier for people with negative equity – when the value of their home is less than their mortgage – to move house. Previously, if your lender allowed you to move and to re-secure the old loan on the new property, you would have lost your entitlement to Miras because it is payable only on a new loan. Since Budget Day, however, the old loan will qualify.

The Inland Revenue said, "The measure is primarily intended to remove an obstacle faced by those with negative equity who want to move house. However, the new rules are not to be restricted to situations where there is negative equity and other borrowers may be able to take advantage of them."

Scheherazade Daneshkhu

Effect of Miras changes on monthly mortgage payments

Loan (£)	Repayment Mortgage Now	Repayment Mortgage April 1994	Difference	Endowment Mortgage* Now	Endowment Mortgage* April 1994	Difference
30,000	195.44	202.91	7.47	149.83	159.80	9.97
40,000	262.07	272.05	9.98	216.41	226.39	9.98
50,000	340.07	350.04	9.97	283.00	292.97	9.97
60,000	418.07	428.04	9.97	349.58	359.55	9.97
80,000	574.07	584.04	9.97	482.75	492.72	9.97
100,000	730.06	740.04	9.98	615.91	625.89	9.98
150,000	1,120.06	1,130.03	9.97	948.83	958.80	9.97

Source: Halifax. Based on current mortgage rate of 7.99 per cent. *Excludes endowment premiums

Diary of a Private Investor

A new Merc and fresh loopholes

"SEE, I've saved you lots of money," said my wife on hearing details of Norman Lamont's Budget.

"You haven't bought a racehorse have you, or a wood-burning stove?" I asked, nervously, as it would probably be my job to remove the waste material produced by both of them.

"No. I sold one of my cars just in time. The new Nissan Micra I bought is much more economical and I made sure to fill both my cars with petrol before Mr Lamont started his Budget speech and increased petrol prices."

"But..." I started.

"And with the hefty increases on tax on expensive company cars, this ought to be mean that the new Mercedes due to be introduced later this year ought to be much more competitively priced if they expect reasonable sales – so I should be able to trade in my old Merc for a new one at last."

"I will agree to a new Merc," I said, "if you can kindly work out for me all the complexities and implications if the chancellor's changes to advance corporation tax (ACT) and how it might affect your dividend income (as someone who earns too little to pay income tax) and how it will affect taxpayers like me at higher rates."

My wife fell silent and left the room. As I am still struggling with ACT myself, the reader will have to look elsewhere in the FT (page III) to discover the personal effects of the ACT changes.

However, with some pension funds and certain other institutional investors claiming a possible 6.25 per cent cut in their cash flow as a result of the ACT changes reducing their income from dividends, perhaps they will now pay even more attention to investing for growth (and capital gains) rather than high dividend levels. Perhaps, in order to generate more cash, institutions will be somewhat more inclined to "churn" parts of their portfolios, buying and quickly selling whenever a profit can be realised and using part of that profit instead of dividend payments to meet some of their cash obligations.

Hopefully, the ACT changes ought to focus more attention on those companies that have been paying dividends out of reserves (or even from part of the proceeds of rights issues) rather than conserving cash and using it to reduce debt or for expansion purposes.

As a private investor I still prefer to invest in shares for growth, rather than income, and make use of other types of investment for regular cash generation.

The Inland Revenue issued a consultative document which followed on from the Budget and the chancellor's comments on trying to address the problem of surplus ACT arising on account of dividends paid by a company out of profits from overseas sources which have already borne foreign tax.

Perhaps a creative tax avoidance expert can devise a means whereby an overseas subsidiary of a UK company might like to make a "gift" to the shareholders in the UK company of an appropriate sum in the currency of the country concerned. The UK company could undertake to convert small sums into pounds.

I was disappointed that the chancellor did not abolish stamp duty on share transactions, especially in view of the long overdue demise of Taurus. However, he did say in his Budget speech that he would "review the position further in the light of the conclusions of the Securities Settlement Task Force set up by the Bank of England." I hope the task force includes strong representation from private investors.

While the chancellor announced "roll over relief" for "European Community agricultural quotas for ewe and suckler cow premiums" he did not take up my suggestion to provide roll over relief to private investors who invest in shares.

He did, however, announce that entrepreneurs who sell shares in their own company can "defer the payment of capital gains tax" if they invest those gains in "another qualifying unquoted trading company, or companies."

I welcome this move, but I hope that this provision can be expanded to include investing in shares in quoted companies. It is often quoted companies that need an entrepreneur to shake them up – and to focus their attention just on unquoted companies seems a pity. Although, perhaps, tax avoidance experts are already beavering away to produce schemes whereby unquoted trading companies can control stakes in quoted companies.

While closing many tax loopholes (such as the long overdue abolition of business expansion schemes which involved the provision of loans to BES investors) the Budget created a number of areas (especially those connected with ACT) which are likely to keep armies of accountants occupied.

The chancellor also announced various changes to national savings products with increases in the holdings limits of savings certificates, and capital and income bonds and the reintroduction of first option bonds. All these may well be worth closer study.

But with the present pathetic performance of my £10,000 worth of premium bonds I am unlikely to increase it to the proposed new maximum holding of £20,000.

Thus, while I applaud the various measures introduced by the chancellor to assist small business, I wish he had done much more to help the private investor. Maybe in his autumn Budget he might...

Kevin Goldstein-Jackson

Directors' Transactions

THE COMBINATION of a strong market and anticipation of the Budget did little to entice directors into making investments and selling remained the most noticeable feature of the week.

Five of the board at Wyevale Garden Centres, including Christopher Powell, the non-executive chairman, Brian Evans, the chief executive and Stephen Murfin, the finance director sold a total of 612,000 shares at 173p. At the same time last year, Peter Williamson, the deputy chairman, sold 500,000 shares at 171p. Since then the shares have underperformed by more than 15 per cent relative to the market. Each director still retains a sizeable number of shares.

Linx Printing Technologies came to the market in mid-October last year and is involved in the manufacture and sale of continuous ink jet printers used in the identification and coding of products. W Harris, the chairman, sold 300,000 shares at 183p.

The purchase by Paul Roy at Smith New Court, the financial services group, follows a period of strong outperformance. His purchase was made at 164p and the shares are currently trading at 176p.

Six of the board of Harry Ramsden's, the fish and chip shop chain, purchased a total of 41,212 "B" shares at 100p each.

Colin Rogers, Directus Ltd

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Barclays	Bank	10,000	40	1
Berry, Birch &Noble	InsB	24,000	24	2
Courtaulds Textiles	Text	3,000	18	1
Davenport Vernon	Motr	16,500	23	1
Domino Printing Sci	Elns	2,500	15	1
Feedback	Elns	167,600	45	1
Gold Greenl Nl Pd	Med	517,526	207	3
Hambros	Merc	13,360	42	1
Kingfisher Nl Pd Rt	Stor	102,682	87	1
Kleinwort Benson	Merc	6,000	19	1
Ladbroke Group	H&L	50,000	104	1
Linx Printing Techn	Elns	300,000	549	1
Macro 4	Elns	3,400	22	1
Malaya Group	Motr	60,000	18	1
Marks & Spencer	Stor	10,699	37	1
Nootronics Techn	Elcs	10,000	18	1
Northern Foods	FdMa	10,600	30	1
Northumbrian Water	Watr	11,000	67	1
Radius	Elns	70,150	48	1
Standard Chartered	Bank	74,324	522	1*
Tomkinsons	Text	5,700	17	1
TR Tech Zr Div Pref	InTr	13,080	27	1
Vaux Group	Brew	25,780	58	1*
Wyevale Garden Cntr	Stor	612,000	1,059	5
PURCHASES				
BICC ADR	Elcs	20,000	$109	1
BTR	Othl	3,000	18	1
Goodhead Group	Med	150,000	30	1
Hambro Countrywide	Prop	40,000	20	1
Primadona	InTr	20,000	34	1
Ramsden's (Harry) B	H&L	40,212	40	6
Smith New Couri	OthF	25,000	41	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 8-11 March 1993.

Source: Directus Ltd, Edinburgh

National Savings

First Option Bond returns

THE First Option Bond returned from exile this week as chancellor Norman Lamoot said that National Savings is expected to make an "important contribution" to government funding. Bnt the new rate on the bond, available from Monday, is just 4.75 per cent net, equivalent to 6.34 per cent gross for one year, on a minimum of £1,000. The rate payable on £20,000 and abova will be 5.05 per cent net.

This rate is well below the 7.75 per cent net given when National Savings launched the bond last July, provoking protests from building societies over what they regarded as unfair competition. It was withdrawn in November.

The return on the new bond can be bettered by other fixed-rate products on the market. According to *Moneyfocts*, Cheshire's one-year Tempo bond is paying 5.25 per cent net on £5,000 and 5.8 per cent net on £25,000.

The rate on Portman building society's one-year fixed-interest bond is 4.9 per cent net (minimum deposit £500) while Alliance & Leicester pays 5 per cent net on its two-year fixed-rate bond, with a minimum deposit of £5,000. Savers have no access to their money when tied up in these bonds – but they do with National Savings, although the penalty is that they will gel no interest.

There are no signs yet of panic among the societies, although there is concern at the rise of the limits on National Savings purchases.

"We have for some time been concentrating our efforts on trying to maintain the returns available to our savers affected by falling interest rates, particularly those living off interest on savings," said Jim Birrell, chief executive of Halifax. "We shall do all we can to remain competitive, but the new range of NS changes will influence our views on future mortgage rates."

Nationwide added: "At present, we can offer competitive prodocts. Bnt if they [NS] changed their products, we would have to look at our aavings rates and, at the extreme, it would put pressure on mortgage rates."

Some rather better news is that the limit for the 40th-issue savings certificates, and for the sixth index-linked certificates, has been douhled to £10,000. The limit for income bonds has been raised five-fold to £250,000, and from £100,000 to £250,000 for Capital bonds.

The limit for premium bonds will double to £20,000 from April 13, and the maximum amount that can be held in the investment account will rise from £25,000 to £100,000 from May 10.

Scheherazade Daneshkhu

FINANCE AND THE FAMILY

THE BUDGET AND YOU

The impact on families

A spanner in the works

THE CHANCELLOR'S Budget proposals were so complex that they could have widely different effects on different families, depending on their investments and their employment status. So, the *Weekend FT* asked Michael Bishopp and Clive Mackintosh, of Price Waterhouse, to invent three hypothetical families to analyse how a cross-section of readers would be affected.

The three are Mr and Mrs Wrench, a self-employed plumber and wife; Mr and Ms Suburban, a relatively prosperous unmarried couple with children; and Mr and Mrs Executive, a well-off couple whose children have left home.

■ **Mr & Mrs Wrench.** He earns £20,000 from his plumbing business but his wife has no income. They have a £40,000 mortgage and own two cars.

In the 1993-94 tax year, he will gain £25 in income tax because of the widening of the 20 per cent band to the first £2,500 of taxable income.

But they will spend an extra £10 a year on excise duties on alcohol and tobacco, and will face a 5 per cent rise – £143 a year – in motoring costs. The net effect is a loss of £128.

Many of the chancellor's tax increases are postponed until 1994-95. From that date, the Wrenches will suffer from the restriction of the married couple's allowance to the 20 per cent band – this will cost them £86. The 1 per cent rise in Class 4 National Insurance contributions will add another £139 to their tax bill.

The restriction of MIRAS to the 20 per cent band will also cost the couple £120 a year. Add an extra £72 of fuel costs, to reflect the 8 per cent VAT band of domestic fuel and power, and a further £75 in motoring expenses.

Even though they will gain a further £25 from the continued widening of the 20 per cent band, the Wrenches will be a further £575 worse off than they were in 1993-94.

He will qualify for the option of self-assessment in 1996-97 (see page III), but is uncertain about the administrative burden this will involve.

■ ***Mr & Ms Suburban.*** Each earns £30,000. He travels 5,000 business miles in his company car, which is a two-litre BMW320i with a list price of £18,500 (fuel is not provided). She has a private car.

They have a joint £60,000 mortgage on a house bought after 1988, so they receive tax relief of only £30,000. But, because of his job, they are about to buy a new house in a higher-cost area and his employer is set to pay a relocation subsidy of £13,440.

All this means the Budget has hit the Suburbans very hard: in particular, they suffer from the change in tax treatment of relocation costs. The chancellor made two adjustments in this area. Previously, the employer could give a tax-free allowance for moving to a higher-cost area, plus covering the cost of the move. Now, the relocation allowance is taxable and only the actual moving costs – of up to £8,000 – can be reimbursed without a tax liability. The staggering cost to the Suburbans is £5,376.

They also suffer from higher alcohol and tobacco duties, motoring expenses and petrol costs. National insurance costs rise, since the higher-rate band has moved from £405 to £420 a week. Even without the relocation effect, the Suburbans are more than £1,000 worse off in 1992-93.

Since they have children, the Suburbans are entitled to the additional personal allowance of £1,720. But in 1994-95 this, like the married couple's allowance, will be limited to relief at 20 per cent; a cost to the couple of £344.

What with all the other changes such as MIRAS, and the 1 per cent NI increase, the Suburbans will be £1,984 worse off in 1994-95 compared with the present tax year.

■ **Mr & Mrs Executive.** He earns £100,000 a year and she gets £30,000. He has a Rover as a company car and does 2,000 business miles, with fuel costs provided. They have £1,000 of dividend income outside a Pep and a further £1,200 inside.

One Budget change which affects the Executives is the loss of tax relief on BES loan-backed schemes. This saved him £5,600 in tax in 1992-93.

The dividend income of this couple is also affected by the chancellor's alterations to advance corporation tax. As the Price Waterhouse figures show, this higher-rate tax-paying couple sees a drop in its Pep income because of the change. The change does not improve the tax benefits of a Pep for higher-rate payers.

All the other tax changes mentioned above hit the Executives, particularly the higher levies on company cars. His car benefit will increase from £8,625 in 1992-93 to £9,450 by 1994-95, an effective cost of £330 at 40 per cent tax.

Excluding the opportunity cost of the BES, the couple is £799 worse off in 1993-94, and £1,826 worse off in 1994-95, compared with this tax year.

Philip Coggan

MR & MRS WRENCH

	1992-93	1993-94	1994-95
Total tax liability excluding mortgage	3,609	3,584	3,645
National insurence	874	874	1,013
Tax relief on mortgage	(599)	(599)	(479)
Household fuel	650	650	702
Alcohol and tobacco	990	1,000	1,000
Motoring expenses	2,380	2,523	2,598
Total costs	**7,904**	**8,032**	**8,479**
Net cost of changes	n/a	128	575

Source Price Waterhouse Figures in £. For assumptions, see text

MR & MS SUBURBAN

	1992-93	1993-94	1994-95
Total tax liability incl mortgage and relocation	14,354	14,392	15,212
National insurance	3,398	3,524	3,902
Tax relief on mortgage	(599)	(599)	(479)
Household fuel	920	920	994
Alcohol and tobacco	1,730	1,747	1,747
Motoring expenses - Ms P	3,390	3,593	3,701
Petrol costs - Mr P	*940*	1,000	1,040
Tax on relocation	*n/a*	*5,376*	*n/a*
Total costs	**24,133**	**24,577***	**26,117**
Net cost of change	**n/a**	**444***	**1,984**

Source: Price Waterhouse. Figures in £s. *excludes relocation loss

MR & MRS EXECUTIVE

	1992-93	1993-94	1994-95
Total tax liability excl mortgage & BES	45,272	45,624	45,972
National insurance	3,398	3,524	3,902
Tax relief on mortgage	(599)	(599)	(479)
Household fuel	920	920	994
Alcohol and tobacco	1,730	1,747	1,747
Motoring costs of Mrs W	3,390	3,593	3,701
Tax credit on PEP divis	(400)	(300)	(300)
Total costs	**53,710**	**54,509***	**55,537**
Net cost of changes	**n/a**	**799***	**1,826**

Source Price Waterhouse * Excludes loss of £5,600 in BES tax relief. Figures in £s.

Capital Taxes

No change to threshold

ONE OF John Major's most inspiring visions faded in the Budget. At the Conservative conference in 1991, he told delegates that he wanted to see wealth "cascading down the generations". Lobby journalists were given to understand that this would mean reform, or even abolition, of inheritance tax.

As it transpired, last year's budget merely increased the threshold for the value if an estate before IHT becomes payable by slightly more than the rate of inflation – from £140,000 to £150,000. That is where the threshold will stay this year. Inflation is low, while prices of the assets which form the bulk of most estates – houses – have fallen over the last year, so heirs have little to complain about. But it is not the sweeping reform for which some had hoped.

There will similarly be no indexation for the CGT threshold. You are only allowed to realise gains of £5,800, over and above inflation, before CGT becomes payable. That remains generous, in spite of the equity market recovery in the last quarter of 1992, and fewer than 100,000 investors are liable to pay the tax in 1992-93.

John Authers

Married allowance

Higher rate band hit

MARRIED higher-rate taxpayers under 65 will be £294 a year worse off because of a Budget change to the married couple's allowance. The measure takes effect from April next year.

The married couple's allowance, like most other allowances, will be frozen in the 1993 tax year at £1,720. At the moment, the allowance is worth £430 to a basic rate taxpayer and £688 to higher payers. But Norman Lamont, the chancellor, said tax relief from the married couple's allowance will be restricted to 20 per cent, instead of 25 per cent for basic rate taxpayers and 40 per cent for those in the higher rate band from April 1994.

This will limit the maximum benefit from the married couple's allowance to £344, regardless of a taxpayer's marginal rate. However, the widening of the 20 per cent band to the first £2,500 and then £3,000 of income from £2,000, worth £25 this year and another £25 next year, will mitigate the loss.

Assuming no other changes to personal allowances, the effect of both measures on a married basic rate taxpayer under 65 in 1994-95 will be a loss of £36. A higher rate taxpayer will lose £294.

Those aged 65 and over, who receive a higher married couple's allowance, will also see its tax benefit restricted to 20 per cent. However, the allowance will be increased by £200 so basic rate taxpayers between 65 and 74 will lose no more than £33.25 in 1994. The corresponding figure for those aged 75 is £35.36.

■ From April, married women will be able to receive all or half the married couple's allowance following last year's Budget measures. Those wishing to do so should request Form 18 from their tax office and return it by April 5.

The limit on the benefit from April next year means that the 1993 tax year will be the only one in which a couple will benefit from the allowance being transferred to the wife if she is a higher rate taxpayer and her husband a lower one.

Scheherazade Daneshkhu

FINANCE AND THE FAMILY

THE BUDGET AND YOU

Pensions

Alarm over freeze on earnings cap

Industry sees it as the 'thin end of the wedge'

IN A THROWAWAY line during his Budget speech, chancellor Norman Lamont announced casually that the earnings cap on pensionable income would be frozen next year, a tribute to the government's efforts in subduing inflation.

No sooner were the words out of his mouth, however, than the pensions industry sounded the alarm.

"This is potentially a pernicious trend," said Tina Norris, of actuarial consultant Noble Lowndes. "The industry had originally wanted the cap to rise in line with earnings. Instead, it is rising in line with prices, which do not increase as quickly."

The fact that it has been frozen for a year has significant ramifications, both for occupational and personal pension-holders. The cap is critical because it is the ceiling beyond which earnings cannot count for pensions purposes and still attract tax relief on contributions.

For most people, the present 1992-93 fiscal year cap of £75,000 sounds like a sufficiently healthy salary; and the anticipated £77,400 salary, which would have come into effect in the 1993-94 tax year had the freeze not been imposed, seems healthier still – although those earning close to the national average may wall wonder why those on such handsome pay even deserve tax incentives to help them make pension provision.

"It's the fat-cat syndrome," said the finance director at one of the UK's largest pension schemes. "For most of the country, it doesn't matter tuppence."

With that comment in mind, it is not surprising that complaints about the earnings cap have come mostly from high-earning executives and those who organise schemes on their behalf.

But Ron Amy, pension and benefits manager at Grand Metropolitan and chairman-elect of the National Association of Pension Funds, points out that a dangerous trend is underway. "It's the thin end of the wedge," he said.

When the earnings cap was set originally, the ceiling was £60,000. Through retail price inflation, it has risen steadily over the past decade. But salaries have, historically, risen 1.5 to two percentage points faster each year than prices.

As a result, what is considered a very generous salary now might not be so in 20 or 30 years when many pension scheme members are ready to retire. The cap could soon capture people on relatively modest incomes, Amy said.

He added: "Labour unions are starting to notice that a relatively young guy in his 20s now could well fall outside the cap by the time he retires."

That is not to say that well-paid people now are denied pension provision - expressed typically as a percentage of final salary – for income earned above the cap. They are simply not entitled to tax relief on contributions towards it.

As a result, employers have set up so-called unapproved schemes. These do not have approval from the Inland Revenue and are, typically, unfunded.

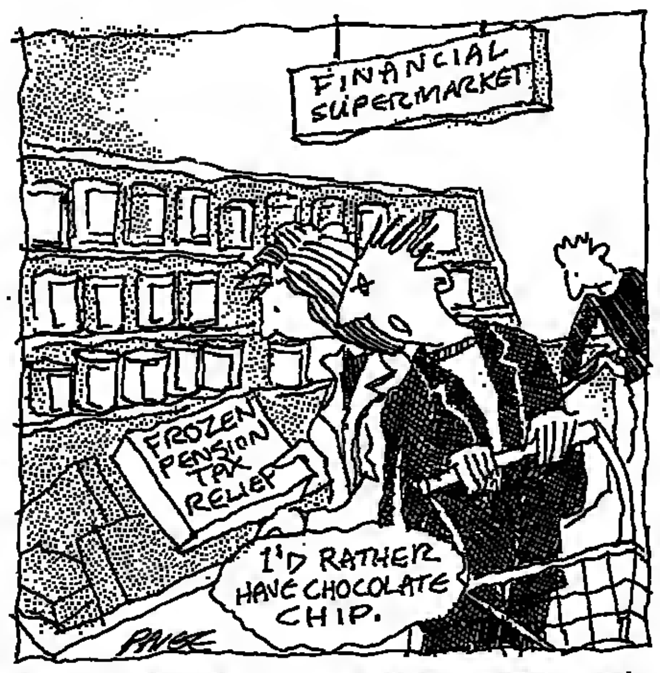
This means that no contributions are made into a pool: employers simply promise to meet pension costs above the cap out of current earnings. "These offer a lot less security than funded schemes," Amy notes.

But pension experts point out the irony of the government's desire to cut tax incentives for pension provision at a time when it is looking at ways to encourage people to make greater provision for their own retirement. The cap affects personal pension-holders as well as occupational schemes.

Personal pension-holders may earn tax relief on contributions on a sliding scale up to the cap, beginning at 17 per cent of salary for a person in his 20s and moving to 40 per cent for someone aged 61 and over.

While only a small percentage of the population is likely to be able to devote 40 per cent of salary to pension savings, the ceiling could act as a deterrent – say, to a self-employed individual who had neglected to make pension provision early on in his career.

Norma Cohen



CGT Relief

Revenue's threat on non-approved plans

THE PROSPECT of significant tax shelters for executives acquiring shares in unquoted companies is offered by the Budget. But companies granting share options without Inland Revenue approval face a new fiscal threat.

There is a long-established "retirement" relief from capital gains tax for directors who sell shares in their family trading companies after the age of 55. The first £150,000 of any gain is exempt, as is half the next £450,000, although the exemption is restricted if the shares have been held for under 10 years.

Until now, the only people eligible have been full-time company directors owning at least 25 per cent of their company's shares, or owning 5 per cent where other family members control the company. The chancellor proposes to replace this by a single individual 5 per cent test, and to allow employees as well as directors to qualify. Those fortunate eoough to have such a significant stake will now have the chance to supplement their retirement package by cashing in their shares with little or no tax to pay.

Young turks with no thoughts of retirement were not forgotten. Although Lamont said his new CGT roll-over relief related "specifically to entrepreneurs who have built up successful businesses," it has a wider scope. As with retirement relief, a 5 per cent interest will suffice, and non-directors will qualify if they have been employed in a managerial or technical capacity.

The relief will be available to any employee satisfying these conditions who sells shares in an unquoted trading company and, within three years, invests the proceeds in a stake of at least 5 per cent in another unquoted trading company. Any CGT liability will be deferred until the taxpayer no longer has a qualifying holding. An acrobatic employee could, therefore, aspire to a series of roll-overs culminating in an ultimate sale with the benefit of retirement relief.

This virtuoso tax-saving performance will be ruined, however, if the employee acquires his shares via a non-approved share scheme: the exercise of a non-approved option triggers an income tax liability. The new reliefs provide protection only against CGT. An executive who is promised a 5 per cent option should urge his employer to set up a Revenue-approved scheme which will be the only way of keeping his gain within the CGT regime.

Those companies who may yet be tempted by the flexibility of an unregulated scheme had another warning shot fired across their bows on Tuesday. The Revenue issued a statement on the arcane subject of whether the grant of options should create a tax liability for the granting company.

Any analysis of an option grant focuses typically on the tax implicatinns fnr the grantee. In strict theory, it is clear that granting the option is a CGT disposal and the company could be taxable not on the price actually paid by the employees – usually a nominal £1 – but on the true value of the option.

Until now, the Revenue has tended to turn a blind eye to this issue. Its Budget-day announcement looks like good news in that it restricts the tax charge to the amount received. The snag is that this will only apply to approved schemes. This is a strong hint that, from now on, the taxman will adopt a tougher stance towards non-approved arrangements.

David Cohen

■ *David Cohen is n partner in the City law firm nf Paisner & Co.*

Charitable Giving

Now it's easier to be generous

IT WAS A generous Budget for the generous, and giving to charity is now more tax-efficient than ever. Adjustments were made to two schemes:

■ Gift Aid

This allows tax relief for one-off big donations. The minimum amount which can be donated under the scheme and still qualify for tax relief has been lowered from £400 to £250, having dropped last year from £600 to £400.

Under the scheme, a gift of at least this size is treated as net of basic rate tax. Thus, for any donation of £250, the charity will receive £333.33 once the Revenue's tax rebate is added on.

Those who pay top-rate tax are entitled to claim back the difference between top and basic rate (15 per cent), which comes to £50. So, it is possible to give £333 to charity for a net outlay of £200. One item to note arising from this reform is that there is now no point in a top-rate taxpayer making a donation of £200 or more without going through the Gift Aid formalities.

■ Give As You Earn

GAYE, organised by employers, involves donations made through monthly automatic deductions from your pay cheque. These deductions are made from gross pay, rather than net, which makes the scheme very tax-efficient.

The maximum amount which can be deducted per month has been increased from £50 to £75. That means that basic-rate taxpayers donating the maximum pay only £56.25, while top rate-payers part with only £45.

Payroll donations can be made to more than one charity, and the Charities Aid Foundation will be contacting all GAYE donors to explain how they can take advantage of the new maximum.

Unfortunately, according to the Charities Tax Reform Group, there is now more need to be generous to charity. The group said the charitable sector would be "significantly worse off," one reason being the cost of imposing VAT on fuel and power.

John Authers

Taxman's silence

MY WIFE and I were the sole owners of a small private company. We chose to liquidate it, with the approval of the Inland Revenue, from January 4 1991. We ceased to trade and began to liquidate the assets for distribution. Some of these were transferred into our names, including a freehold property.

The inspector of taxes called in the district valuer for his opinion on the property and a figure was agreed in spring last year. Overall, there is a capital gain liability.

When we sent in our tax returns in June 1992, we made the following statement: "We are expecting to receive a capital gains assessment re '90/'91. Will you please look into it?" (We named the company and the approximate gain for each of us). To date, we have heard nothing further. Have we done sufficient to bring this to the inspector's notice?

■ It looks as though you and your wife have done all that is required of you in regard to your personal CGT liabilities. But it is not clear whether the company's corporation tax liabilities have been settled, including the company's chargeable gain on the deemed sale of the property etc at market value. If the liquidator is still trying to get the Revenue to agree the company's final corporation tax position, that could explain why you have heard nothing about your personal CGT bills.

Wrong advice on tenancy

I HAVE BEEN told that one should not re-let property under an assured shorthold tenancy to an existing tenant as the right to repossess at the end of the lease will be lost. Is this true?

■ This is incorrect. Section 20 (4) of the Housing Act 1988 provides that when the fixed term of an assured shorthold tenancy comes to an end, a new assured tenancy will remain an assured shorthold tenancy if it is granted to the same tenant.

One guarantee covers all

IS THE guarantee covering 90 per cent of the first £40,000 of a married couple's joint account with a building society the total guarantee? Are other investments with the same society included in that total, such as guaranteed equity bonds, Pibs and Tessas? Therefore, should one limit one's total investment with each society to £40,000?

■ The protection afforded by the Building Societies Act relates to all the investment of each person in the same society, so that the limit of £40,000 for joint investors would apply to the totality of their investments, whatever their nature.

Tax relief on Pibs

I BOUGHT 10,000 Bradford and Bingley 11% Pibs on December 8. The interest dates are January 20 and July 20. The total price included purchase of 141 days' interest at £449.07 (ie, gross of any tax).

I received my interest payment on January 20: £435.94 (net of 25 per cent tax). I might have to pay higher-rate tax on the interest as well. How do I claim tax relief on the £449.07 in the original total purchase price?

■ It can be claimed in your next tax return. Ask your tax office for the pamphlet on the accrued-income scheme: IR68.

Offsetting a loss

OVER THE past three years I have made a substantial loss on investment bonds made with a life company, but gains on my own share portfolio. Can one be offset against the other for CGT purposes?

■ We take it that, in your first sentence, you mean that you have surrendered single-premium life policies for less than the premium which you paid in each case. That being so, the answer is no (by virtue of sections 210(2) and 16(2) of the Taxation of Chargeable Gains Act 1992).

Correction

The owner of a second home in England or Scotland will be entitled to a 50 per cent discount from the council tax. Special rules applying in Wales mean that the district council can decide whether to apply a discount of 50 per cent, or 25 per cent, or none at all. An answer published last week about this issue was incorrect.

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Teachers' BS	Bullion Share	0800 378669	Instant	£500	7.00%◆	½Yly
Britannia BS	Capital Trust	0538 398115	Postal	£10,000	7.30%	Yly
Teachers' BS	Minster 90	0800 378669	90 Day	£1,000	8.10%☆	Yly
City & Metropolitan BS	Super 90	081 464 0814	90 Day	£25,000	8.00%□	Mly
Cheltenham & Glos BS	Best 90	0800 272383	90 Day	£50,000	8.30%	Yly
Scarborough BS	Scarbgh Ninety 3	0800 590 578	90 Day	£50,000	8.35%	Yly
Newcastle BS	Nova Star VI	091 232 6676	1 Year	£5,000	8.25%	Yly
Chelsea BS	Premier VII	0800 272505	1.8.95	£10,000	8.25%☆	Yly
TESSAs (Tax Free)						
Allied Trust Bank		071 626 0879	5 Year	£9,000	8.10%	Yly
Dunfermline BS		0383 721621	5 Year	£3,000	8.00%	Yly
Manchester BS		061 834 9465	5 Year	£25	8.00%	Yly
Darlington BS		0325 487171	5 Year	£1	8.00%	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)						
Caledonian Bank	HICA	031 556 6235	Instant	£1	5.50%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£10,000	8.60%	Yly
				£25,000	7.10%	Yly
Northern Rock BS	Current	0800 591500	Instant	£50,000	7.07%	Mly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	6.25%	Yly
Derbyshire (IOM) Ltd	90 Day Notice	0624 663432	90 Day	£25,000	7.30%	Yly
				£50,000	8.00%	Yly
Bristol & West Intl Ltd	Intl Premier	0481 720609	6 Mth ‡	£5,000	8.55%	Yly
GUARANTEED INCOME BONDS (Net)						
General Portfolio FN		0279 462839	1 Year	£50,000	5.20%	Yly
Prosperity Life FN		0800 521546	2 Year	£25,000	5.55%	Yly
Consolidated Life FN		081 940 8343	3 Year	£2,000	6.00%	Yly
Financial Assurance FN		081 367 6000	4 Year	£20,000	6.30%	Yly
General Portfolio FN		0279 462839	5 Year	£50,000	6.80%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	8.25%	Yly
	Income Bonds		3 Month	£2,000	7.00%	Mly
	Capital Bonds G		5 Year	£100	7.75%F	OM
	Fixed Option Bond		1 Year	£1,000	6.34%F	OM
NAT SAVINGS CERTIFICATES (Tax Free)						
	40th Issue		5 Year	£100	5.75%F	OM
	6th Index Linked		5 Year	£100	3.25% +Infln	OM
	Childrens Bond E		5 Year	£25	7.85%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N = Net Rate. G = Bond. ☆ = Rate fixed only until 1.7.93. □ = Rate guaranteed until 1.5.93. ◆ = Rate guaranteed until at least 1.4.93. ‡ = After 6 months qualifying period.
Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain a complimentary copy by phoning 0692 500677.

MINDING YOUR OWN BUSINESS AND PERSPECTIVES

Budget savings: Has Lamont freed small businesses to enjoy the fruits of their labours?

The Budget and Small Businesses/**Charles Batchelor**

Menu which caters for all tastes

IT IS a rare chancellor who can devise a Budget which satisfies the demands of small businesses. Keeping such a diverse group of business owners happy is a difficult task.

It is, therefore, no small tribute to Norman Lamont that the menu served up on Tuesday drew almost unanimous approval from small business organisations. The one-person start-up, the established growing business and the entrepreneur on the verge of selling up - all were catered for.

In their enthusiasm, they seemed willing to forget that nothing was done to introduce more generous investment allowances, reduce the impact of inheritance tax or to replace the business expansion scheme, to expire in December.

They did get a carefully chosen mix of measures intended to simplify the tax system, reduce red tape and improve the workings of small business programmes. Some scepticism remains as to whether all these objectives will be achieved, but at least the intention is there.

Few subjects raise temperatures among the small business community more than VAT, and the chancellor responded to this. Lamont reduced the qualifying period for bad debt relief from 12 to six months. He also increased the turnover ceiling for cash accounting - the threshold below which businesses do not have to pay VAT until they have received payment from customers - £50,000 to £350,000. These changes will give business a one-off saving of £150m.

Other VAT moves will allow the business owner to sleep more easily at night. The draconian nature of the penalties which can be imposed by Customs & Excise has been a source of serious concern.

The chancellor has proposed reforming the application of the serious misdeclaration penalty so that it is used only against larger, persistent offenders. He will also allow Customs some discretion. Previously, the penalties were automatic and did not take into account the circumstances of the case.

However, the chancellor was unable to raise the VAT threshold by more than the rate of inflation, to £37,600. Last year, he persuaded the European Commission to allow an increase in excess of inflation.

Deregulation is in favour with ministers and several measures were intended to achieve this. Debate about removing the small firms' audit has continued for more than a decade, but there are signs that action finally will be taken. A discussion paper is to be produced by the department of trade and industry and it seems likely that businesses below the VAT threshold will be let off the audit hook.

A desire to deregulate and simplify also lies behind plans to allow 8m self-employed and other tax-payers to calculate their own returns for the Inland Revenue. The aim is to reduce the amount of to-ing and fro-ing between the taxpayer and the taxman but cut out estimated assessments, appeals, postponements and revised assessments.

Under the new system, which will not take effect until the 1996-97 tax year, most tax returns will be accepted by the Revenue - but it will have the right to check them if it has doubts. Taxpayers who are late with their returns or their payments will face extra charges.

Taxpayers will pay tax on the current year rather than on previous years, removing the cash flow advantages. The response from business has been mixed. Some wonder if the self-employed really will feel confident enough to dispense with a tax adviser and compile their own returns.

The uniform business rate has imposed a heavy burden on traders, particularly retailers in the south of England, and there have been pleas for an easing of its impact. The chancellor went some way to meeting these by agreeing to hold the rate of increase at the level of inflation for the second year running. No business will face an increase of more than 3.6 per cent.

The loan guarantee scheme has always been regarded as a poor substitute for the more generous cheap loan packages available to small businesses in Germany but it has provided a life-line to many small firms which do not meet the banks' definition of a backable proposition.

The easing of the scheme's terms announced by Lamont should make it more attractive, but this will continue to depend on the willingness of the individual bank manager to put it to use. The present premium of 2½ per cent will be cut to 1½ per cent for variable loans and only 0.5 per cent for fixed-rate loans. The maximum eligible loan will rise by £100,000 to £250,000, while the proportion covered by the guarantee will rise from 70 to 85 per cent.

The loan guarantee scheme tends to be used by businesses which are expanding but, for entrepreneurs at the other end of the business life cycle, the chancellor also had good news. Many feel locked into their business because of the high level of capital gains tax triggered when they sell. In response to lobbying from the venture capital industry, Lamont has agreed to allow roll-over relief so long as the proceeds of selling a business are re-invested in another unquoted company.

"A clever Budget in a difficult economic climate" was the general view of small firms' lobbyists.

As they say in Europe

Italian comic opera and Russian world-weariness

***James Morgan** on how others view their budget problems*

EVERY YEAR in Sicily there is an event which outsiders find, to say the least, unattractive. Tuna fish are driven ashore through a complex system of nets and then bludgeoned to death. It is *la mattanza*, and now the word has been recycled by the Italian press to describe the present, rather attractive, settling of accounts with a corrupt political class.

In Russia the *mattanza* is quite different. There a single figure, widely seen as a symbol of righteousness, is slowly bludgeoned to death by the remnants of a corrupt political class. *Pravda* represents the Remnant Party and has its own point of view, arguing "the conflict had flared up between the president and *society*" (my italics).

Moscow watchers spend little time on *Pravda* nowadays, far less than when it was boring. Today it combines anti-Yeltsinism with 19th century xenophobic pan-Slavism and Bolshevik nostalgia, and, as a result, offers stimulating and exciting insights. It recently argued that the Americans were plotting to keep Russia out of international arms markets: "They will start promising us 'tips' such as the notorious $24bn, [the western aid package agreed last year] and on this pretext will press the foreign ministry to block impending Russian weapons sales where western corporations have key interests."

Pravda also says that the west is trying to split Russia, so it fabricates lies about "a reforming president against a conservative-communist congress." Next the west will back the imposition of a state of emergency by Boris Yeltsin.

But to return to the original theme - is it the parallels or differences between Russia and Italy that are the more striking? In both, people believe that their country is on the point of breaking up. In both there is, not surprisingly, a widespread conviction that the native way of doing things is far from ideal. On the other hand the Italians take their present difficulties to their hearts, they glory in the parade of public figures through the prisons and courts and revel in the revelations, as it were. No Italian would blame foreigners for what has gone wrong.

Is this the new symbol of Russia?

Some Russians, on the other hand, do blame others but seem to take the crisis in their stride: the papers write as if hyper-inflation, the collapse of the state, the break-up of the nation, the impossibility of achieving good government, were the norm. To the Italians, 1993 is opera, grand or comic. To the Russians, it is a bore.

But both at least make headlines in the newspapers of the rest of the continent which in turn react passionately. Thus the *Catholic Daily* in Poland, which would normally object to Russians of the Yeltsin type, sees him as a Christ-figure: "The west contributed to the shower of stones that poured on the Russian president's head."

The Germans sneer heavily at the Italians. But every country in Europe, not just Italy and Russia, is in trouble, yet these two interest newspapers across the continent which are otherwise more than usually insular.

One of those troubled lands, Britain, suffered its annual budget this week and so there was the usual outpouring of words in the local media that no event short of civil war could occasion on the domestic news pages of other lands. The French were struck by two items, one reflected the widening psychological gulf between Britain and the rest, the other the shrinking physical gulf. They pointed out that when the time comes to implement the third stage of European Monetary Union, the British budget deficit will still amount to 6 per cent of gross domestic output - double the Maastricht Treaty target. This insight was not picked up in Britain because there the Treaty is taken seriously only in parliament, which is a way of saying it is not taken seriously.

Norman Lamont's plan to cut journey times from Dover and Heathrow to central London was the other issue for the French. Their reaction was reassuring - the proposed high-speed rail links were seen as a means of getting to the British capital more quickly. Recent French comment has stressed the desirability of travelling rapidly in the opposite direction.

Less interesting, but far more important, than Lamont's budget was the conclusion of the German Solidarity Pact at the weekend - or Bonnspeak for higher taxes in the west to pay off the *Ossies*. This was an event of Europe-wide significance which therefore occupied little space in the British media. But what is striking about all recent budgets, proposed budgets, Solidarity Pacts and whatever is the view that higher taxation provides a solution to current problems. Except in Russia and Italy, in both these countries the forces of common sense and rationality demand spending cuts.

Why is it that the sanity of the 1980s is thought relevant only in those countries which have gone mad?

■ *James Morgan is economics correspondent of the BBC World Service.*

Gardening/**Robin Lane Fox**

Now's the time to chop up a border

BRITAIN'S amazingly warm weather has sent gardeners back to their flowerbeds, looking for damage, checking for early blooms and planning for the seasonal's replacements.

By now, we all have flowers on the primroses; the buds are open on magnolias; and there is an uneasy sense that the world is six weeks ahead of itself. Myself, I have a mass of dead dianthus and some nasty patches in other parts which bate the wet winter: what should be done now to bring borders up to the mark?

The first tip is often forgotten: since wet winters wash goodness out of the soil, you must now put it back. Late March is the time for a general garden fertiliser and, by habit, I usually choose Growmore. Half-hearted gardeners probably shirk this expense because they think the money might be wasted, but I know from experience that it is essential.

Nowadays, there is a great fashion among the uninitiated for concentrated, super-charged fertilisers, of which the most popular seems to be 6-X. These brands have their uses, but users tend to believe they are like oats to a race-horse: the more you feed, the faster the plant will travel. The opposite is true.

If you double the dose, you will do much more harm than good. Concentrated fertilisers really must be applied at the strength set out on the packet. As a general garden dressing, a balanced chemical compound is preferable at this time of the year.

The second tip is topical and, for once, saves money. If you have gaps, begin by dividing good plants which you own already.

The next fortnight is an ideal time for division and the task is extremely simple. Dig up an established clump; put it on a hard surface; decide how many bits you want, remembering how small a piece now is from most nurseries; then, slice straight through a mat of main roots with a sharp blow from a spade.

Plants with a single main root or a wooded main stem are unsuitable candidates for division: leave lupins or poppies well alone. It is also too late now to split border irises and expect them to flower; dalay your attack here until early July. There are plenty of alternatives which you can multiply by aiming straight.

My favourite victims are hardy geraniums, especially the admirable Johnsons Blue; the one exception is the rare eriostemon, which seems to take years to recover from this treatment.

I am also pleasantly surprised at the ease with which

herbaceous clematis, especially the handsome blue Wyevale form, will split into willing fragments. Pieces may look woody and miserable, but they soon grow away like mad.

As most plants now cost £2 or more apiece, it pays to strike out with a spade this weekend. Phloxes, day lilies, campanulas, hostas, agapanthus, lychnis, and even the lemon-yellow anthemis with its daisy flowers - all are plants which respond well to a short, sharp slice.

Michaelmas daisies, too, are wonderful splitters and one of the best, the pale-blue Aster frikartii, is actually improved by the experience. Always use the outer bits of the clump as they are younger and more vigorous.

These daisies can be as tough as telephone directories to would-be rippers, though. The books suggest that you use two forks driven back to back through the middle of the plant so that they can then be teased outwards, pulling it to pieces. I find this trick is rather hard to carry out and I much prefer to use two spades, driving them into the centre like tomahawks, one after the other.

The great advantage of splitting is that you pay nothing and can choose your own size of plant. Alternatively, you can buy something new from a garden centre, but you need to be vigilant at this time of the year. From March onwards, growers are potting their smaller stock into bigger containers, filled with peat. Until it has grown away, you might be deceived by the size of the pot and end up with a much smaller plant at a much bigger price, paying for peat rather than roots.

If you do have a genuine choice, it is more economical to buy a big single of anything which you can split. All week, I have been enjoying the dozen double-flowered primroses which I split from a single parent last spring, as soon as I bought it. Individual plants would have been much more expensive and, by now, no better.

Lastly, what do you do where you have a failure in the middle to back of a border and need height quickly? The white-flowered lavatera Barnsley will certainly grow and fill the space, but it soon luxuriates too much and is too leafy for formal company. Personally, I prefer a trick which you can see in excellent evidence in the terrace borders at Powis Castle.

Buy a tripod of three tall bamboo canes, fixing them together with wire. Wrap some wire netting round this framework and plant one or two clematis on either side of this tall support. If fed properly, these will race away and flower up to a height of 5-6 ft later in the summer.

Some of the best forms, including Perle d'Azure, are too vigorous for this position but I have had excellent results from white Henryi and the lovely, dark red Mme Eduard Andre, both of which seem to be available widely for impulse buyers this month.

If the winter has caught you out, use your ingenuity and try this type of replacement. It might even be an improvement.

Designer gear by mail order

***Lucia van der Post** on quality catalogue clothes*

CONVENTIONAL wisdom in mail-order land has it that while it is relatively easy to sell shirts and cotton chinos, tracksuits and T-shirts through the post, selling high-priced designer ranges is another thing altogether.

Patricia and Andrew Davidson thought otherwise. They had a bunch – they could not afford a catalogue and market research, so they had to rely on instinct – that there were many women who either hated shopping or did not have the time who longed for easy ways of buying quality clothes. Women living far from decent shops, women with busy careers and those who live abroad were all seen as potential mail-order customers.

With nothing but Andrew's business expertise, Patricia's eye for stylish clothes and a modest amount of capital they have now launched a beautifully photographed catalogue. Its most distinctive quality perhaps is that it is small.

The collection is centred round three main designers – Caroline Charles Paul Costello and Amanda Wakeley – but there is also a range of accessories from Anya Hindmarch (handbags, some classic, some witty) and Butler & Wilson. These names are not new but they were not always easy to track down. Now their wares can reach homes all over the UK as well as abroad.

The Davidsons' bunch that there was a mail-order market for quality designer clothing looks to be proved right. It will never be mass-market, but as niches go it seems to be doing well. Launched last week, some 3,500 catalogues have been sent out and orders are pouring in. At least three people have ordered more than £1,000 worth of clothing each.

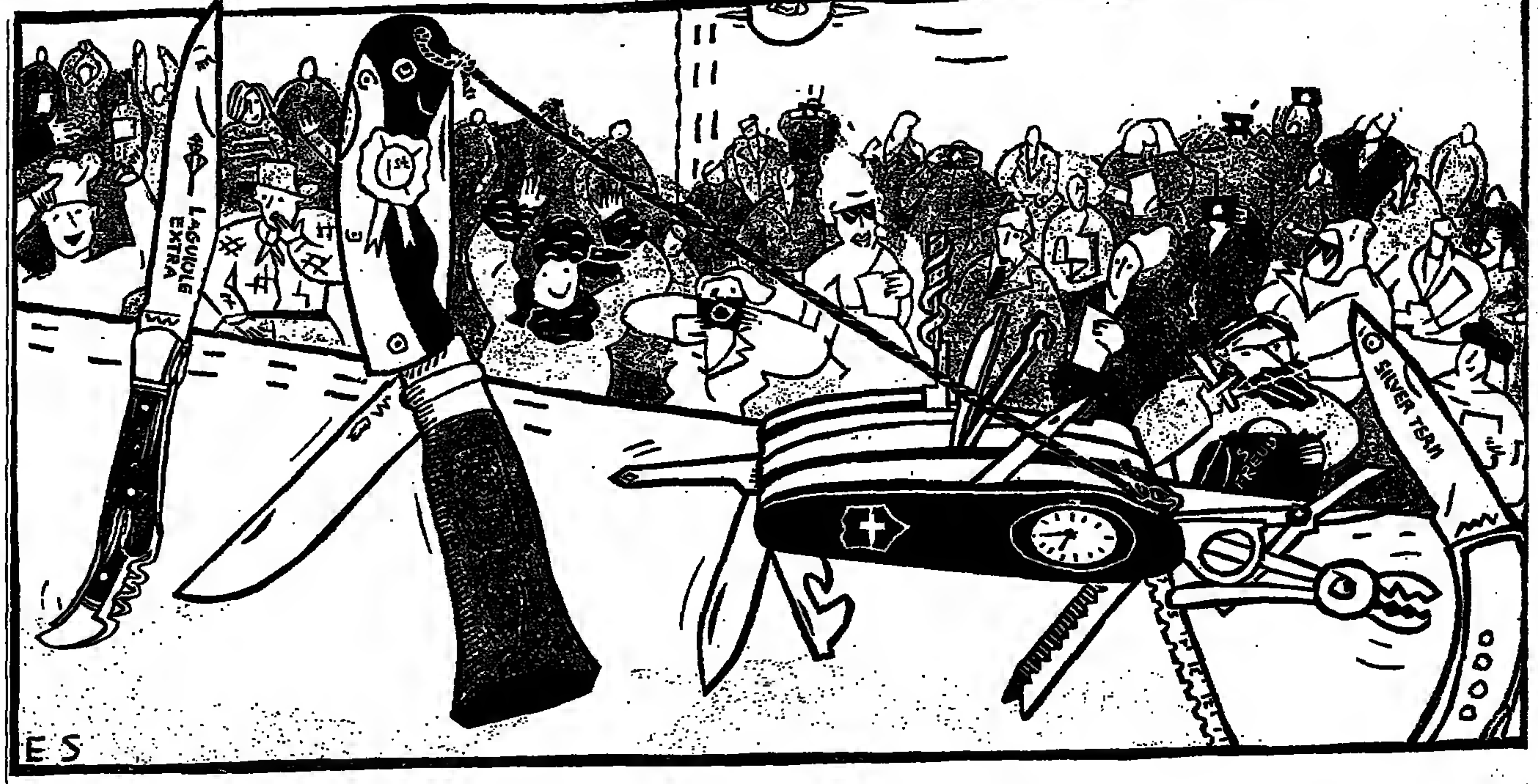
Do not expect to buy more cheaply than you would in the shops – "the point is not price but accessibility," says Andrew Davidson. Quality and ease of shopping are what it is all about.

Paul Costello's pure silk "toile du jouy" tea dress, for instance, is a more grown-up version of all the flower-sprigged numbers wafting into the shops. At £195 it seems good value, if not cheap. His dark navy fine wool double-breasted blazer is also well-priced at £230 but cannot begin to compete with Marks and Spencer on price terms. Amanda Wakeley's fine wool sweaters with satin cuffs may seem expensive at £220 but they do offer that magic combination of being classic and distinctive.

For this catalogue most of the designers' clothes come from mainstream collections but in the pipeline for the autumn are more exclusive ranges, including some sassy cocktail dresses and evening suits from David Sassoon of Belville Sassoon.

If you are interested in the spring/summer range you can order the catalogue by post or by phone: Kingshill, Little Kingshill Grange, Great Missenden, Buckinghamshire HP16 0DZ. Tel: 0494-890555. It costs £3.50 (refundable on the first purchase) plus £1 p&p.

Caroline Charles' pure silk outfit in black and ivory



Knives for the pure in heart

***David Sexton** risks opprobrium to seek out the best in blades for strictly peaceful uses*

SAYING YOU like knives invites opprobrium, especially since more young people are carrying them for criminal purposes. Outside my house, I once overheard a boy exclaim to his friends that he had to go back home for a minute. Had he forgotten to lock up? Had he left his rail ticket behind? No. "I forgot me blade," he explained to his sympathetic mates.

But are there no reasonable grounds for taking pleasure in a well-designed pocket knife? If not, it is a pity. For they combine form and function in a thoroughly satisfying way. They are useful for picnics, for sharpening pencils, for opening parcels.

The best-known example is the Swiss army pen-knife. Top chef Raymond Blanc chose one as his luxury item on the BBC radio programme Desert Island Discs. He actually owns a red one, which he was given by his eldest son several years ago; he uses it for such diverse things as cutting branches and opening bottles. "It's a comfortable companion," he says.

These are the only pocket knives sold by Harrods, the London department store – for reasons of safety, or tact? – and they are available in a huge range under such names as Spartan, Camper, Climber, Huntsman and Explorer. Buck & Ryan, the splendid ironmonger in central London, also has them at competitive prices and they are sold, too, in such fancier places as designer Paul Smith in Covent Garden.

Victorinox, a Swiss family firm, has been making them ever since winning a contract to supply the Swiss army in the 1890s. The quality of the workmanship is excellent. Yet, as knives, their aesthetic qualities are nil, even for those with only a few extra functions. Those with dozens of appendages – the thick SwissChamp has more than 30 – are positively grotesque. Nor do the stainless steel blades take a good edge.

The other most fashionable pocket knife is Opinel. Of a similar antiquity, these knives also are alpine in origin and they are impressively functional. The handle is wood, the curved blade high-carbon steel. A simple but effective safety ring twists round to lock the blade in position. Closed, it does not quite disappear into the pleasingly shaped handle; extended, it makes a nice line with the wood. The knife is very light and has a pleasantly rustic quality.

Opinel knives come in many sizes and they are cheap. They were popular in France before Britain, and some fancy versions have been devised. You can buy them with stainless steel blades (shinier but blunter) and stained wood handles (pretty in green, red, yellow or blue). Prices range from £3-4 up to around £12. Again, Buck & Ryan has a full range, or you can get them from Oggetti, Conran or Authentics.

Both Victorinox and Opinel are distributed widely. Beyond this, though, it gets more difficult to find good knives. Conran sells a number of small, ugly specimens from Japan, all shiny metal ("vanadium stainless steel") at £19.95. Knives, needing to fit the hand, do not work well to a modernist machine aesthetic.

Far and away the best modern knife is Puma, based in Solingen, Germany. These are made from quality steels tested to a high degree of hardness; the designs are at once wholly functional and elegant. Some use "Sambar staghorn" or "Rio-jacaranda hardwood" for the handles, but the most attractive are actually those made of a tough plastic called Micarta.

The basic Puma knife, with this handle and a rear-locking mechanism, looks neat folded in on itself. Opened, it has a sinuous line from handle to blade. It feels entirely solid: you could split a lobster on the beach without difficulty, or skin a bird.

To some eyes, its plain lines make it look disturbingly like a weapon rather than a tool. To others, it is a thing of beauty. Puma knives, ranging in price from £40-50, are available from Authentics in Covent Garden, London.

Authentics also sells the prettiest of all knives, the Laguiole, a traditional French shepherd's knife still made in the beautiful Aubrac mountains of the Aveyron. They have a handle of horn made into a thin, elegantly undulating shape and riveted on to brass, which seems to wrap around the pointed blade.

Opened, this is much wider than the handle, which obviously exists only to support it. On the better versions (usually numbered individually), the steel back of the handle is chased with a foliage design and capped with a bee. There is no actual lock, but the blade snaps crisply into place and feels quite safe for the fingers.

Laguiole knives are found easily in France but are hard to track down here in the UK. Conran seems to sell one but, on inspection, this "Larguiole" knife (£21.75) does not fold, and has a wooden handle and no edge. It turns out to be a paper knife.

Max Pike's Bathroom Shop in central London sells two sizes: a 9 cm horn version with a single blade for £37.50, and an 11 cm specimen (with a blade, a corkscrew and a spike for loosening knots, prising open tops, cleaning a horse's hoof or a myriad other tasks) for £69. Both prices include mail order.

Authentics has sold out of Laguiole knives but expects to get a new delivery in three to four weeks at prices from about £10 up to about £35. It is worth examining each one individually. Unlike Puma knives, which are machine-made and perfect, these have the feel of a craftsman's work, good or bad.

Philippe Starck has produced a kind of trendy dolt's version of the Laguiole, made smoothly all over in stainless steel but keeping the shape (£99 from Authentics). It is a homage of a sort. In France, pocket knives are remarkably fashionable. They decorate the pages of all the better women's and decor magazines. That they are seen in the UK mainly as offensive weapons is just another of the ways in which the yobbishness of our popular culture impoverishes us all.

■ *Buck & Ryan, 101 Tottenham Court Road, W1P 0DY; Paul Smith, 41 Floral Street, WC2E 9DG; Oggetti, 135 Fulham Road, SW3 6RT; Conran, 81 Fulham Road, SW3 6RD; Authentics, 42 Shelton Street, WC2H 9HJ; Max Pike's Bathroom Shop, Unit 5, 4 Eccleston Street, London SW1.*

End of the lode for gold thieves

*A British geologist in Australia has found a way to 'fingerprint' the metal. **Kenneth Gooding** reports*

THE GOLD thief could not believe his bad luck. Like nearly everyone else in the business, he was convinced that the origins of what he had stolen were untraceable once identification marks had been removed.

Yet, the expert prosecution witness was telling the court, with uncanny accuracy, how the thief had gone about disguising them.

The witness said the metal had been melted and some 18-carat scrap gold added before it was melted again. He even identified tha mine from which the gold had been taken. The accused man was so astounded that he changed his plea to guilty – and then admitted he had indeed done everything claimed.

Dr John Watling, the expert witness, was so elated that he almost asked the judge to let the thief go free. For the case was a crucial step in establishing that gold "finger-printing" really does work.

This technological breakthrough affects not just gold thieves: it will make life much more difficult for fraudsters and drug barona the world over. Before long, Watling's work will result in much of the world's gold being finger-printed so that its origins can be pinpointed with certainty. In this way, it will cease to be an untraceable international currency.

This will, for example, make laundering drug receipts more difficult. One way in which drug rings move their money into the mainstream banking system is to buy gold-mining land, or even old mines.

Stolen gold is bought with the illicit cash and is then mixed with dirt and possibly some metal from the mine or mining area. The metal then goes to a refinery, which has no way of knowing it is not newly-mined gold. When it leaves there, it has become "legal."

Watling's system also will help to prove that mines have been "salted," a confidence trick as old as the industry itself.

Gold miners at work in Western Australia last century. Today's new technology makes life easier – but does not deter thieves

Watling, 42, is a British geologist and geo-chemist born at Helsden, near Norwich. Educated at Imperial College, London, he has for the past two years been in charge of the West Australian government's minerals science laboratory in Perth. He started work on his finger-printing theory about 10 years ago when it occurred to him that the 70-80 elements in gold might be brought together in a unique way whenever a specific deposit was formed.

It was only a short step from proving the theory to finding a practical application. That came when he gave evidence in a case where the accused claimed that gold in his possession came from South Africa. Watling showed that it actually originated from a West Australian field.

How? Because, said Watling, South African gold has significant concentrations of palladium, ruthenium, platinum, osmium and iridium; Australian gold has none of these.

Watling needs only a very small trace of gold for his work. The sample is cut by a laser linked with a plasma-mass spectrometer; this identifies the trace elements present. The technique is similar to to traditional human finger-printing in that a jury can simply be shown patterns on sheets of paper to compare one gold sample with another.

Watling says the first case to use gold finger-printing was the most difficult because his team had to go to great lengths to get the details absolutely right. Today, defence lawyers in Western Australia no longer question the validity of the technique, which has been used in 17 gold theft cases. This is particularly important in a state where it is estimated that at least 2 per cent of the gold mined is stolen – an annual loss worth about A$2.5bn.

Part of the reason for this is that, in the West Australian fields, stealing gold is not considered a particularly serious crime. This attitude dates back to the days when miners were paid a pittance for working underground in difficult and dangerous conditions. When, occasionally, a miner found a gold nugget among the ore, the temptation to pocket it often was irresistible.

Today, most of Western Australia's gold is spread in invisible specks through the ore which is dug from open pits by construction equipment and put through a chemical recovery process. Accidents are rare and pay is reasonable.

But every one of the 29 pubs in Kalgoorlie, the town at the heart of the state's eastern goldfields, still has its "gold buyer" – someone willing to give cash for the metal with no questions asked. And while it is unusual to find a nugget, the new technology used in the goldfields does not deter determined thieves.

A wire wool pad suspended discretely in a mine's carbon-in-leach tank will collect about two troy ounces of gold a day, worth nearly A$900. Thieves take gold-impregnated carbon and use oxy-acetylene equipment to burn away the charcoal to get at the gold.

They even take the so-called pregnant solution – a mixture of water, cyanide and gold – and set up their own processing operations to extract the gold.

To combat all this, the West Australian Gold Producers' Association, working through the Chamber of Mines and Energy, uses the services of the Kalgoorlia-based Gold Stealing Detection Unit. This is part of the state's police force but is hired out to the private sector. Its present head, Det Senior Sgt Darryl Lockhart, says that unless it is obvious a gold theft case can be resolved quickly in court, all samples and exhibits go to Watling's laboratory for testing. "It is an invaluable tool for us," he adds.

Watling . . . elated

So far, Watling has finger-printed 60 mines and 40 bullion samples from Western Australia and is now finger-printing more than 200 samples from South Africa and Russia. He and some colleagues are soon to publish a paper making the technique available to other scientists.

Dressing for the Professions: The Architect

Why design is not simply black and white . . .

Working clothes arouse some trenchant opinions, as Paul Keers discovers

FEW PROFESSIONS can reflect their professional concerns in their clothes quite as much as architects. Form, materials, colour, style – all are criteria by which you would judge an architect's work. And all may be displayed in an architect's dress.

As a client, you may be hiring an architect for a multi-million pound construction project. That will lead you to seek the kind of traditional professional values, such as financial responsibility, normally associated with suits and ties. But you are also looking for someone with creative vision and the originality that often goes along with flamboyant, unconventional dress.

The ideal architect strikes a balance between the images of professional responsibility and creative flair. And, according to architect, designer and lecturer Eva Jiricna, that is exactly what architects traditionally reflected in their dress.

"At the beginning of the century," she explains, "all architects dressed up formally, but usually with a flamboyant gesture to it. There was always a hat, a bow-tie or a handkerchief to make their appearance a little bit artistic. After the first world war, American architects remained very formal. And they still dress almost like bankers, in order to impress people, because architecture in America is very much a business."

The grandest masters of post-war architecture can indeed be mistaken for bankers. International figures such as the American Philip Johnson, and the Oriental American I M Pei, are debonair, distinguished dressers. Both are traditionally formal, in dark suits with pocket handkerchiefs, white shirts with discreet cufflinks, and sombre ties.

And both wear perfectly round spectacles, echoing the modernist hero Le Corbusier. To an architect, visual details like this must have a philosophy. "I had my glasses custom-made 40 years ago," Johnson once explained, "because to me, glasses are round. It came from the Machine Aesthetic."

American architects remain essentially formal dressers, with the colourful quirks of the post-modernists reflected in details, like a pink bow-tie or a coloured shirt. "But in Europe, Jiricna explains, "architects abandoned this distinguished approach, and started dressing down almost."

This dressing down takes two forms. One reflects the intellectual's disdain for dress. This is the deliberate shabby chic, the crumpled cords and battered jackets of academic style, as displayed by the late James Stirling.

The other is a delibarate rejection of tradition in favour of modernity, comfort and function. That style is epitomised by high-tech architects such as Norman Foster and Richard Rogers. Foster is frequently seen as a representative of the new relaxed style of professional dressing. He often works in a crewneck sweater, or a polo shirt; but a stainless steel Rolex still suggests both his professional status and his respect for engineering excellence.

Eva Jiricna's dress similarly reflects her designs. It is deliberataly functional and, coincidentally, a colour match for her most famous work. "My wardrobe tends to revolve around black and white, and people think that was the Joseph influence," she says. (Eva Jiricna designed the monochrome high-tech interiors for designar Joseph's various fashion stores and restaurants). "But in fact, it is a question of time.

"When I was working for other people, if I bought a blue bag, I had the time to find a pair of matching blue shoes. But when I set up my own practice, I simply did not have the time, and my black and white wardrobe was a personal excuse to avoid shopping. I could just stretch out my arm and grab another black jacket.

"It makes dressing so easy. I have black jackets, white T-shirts and shirts, and black trousers, leggings and skirts, in different textures and weights. Then I might add socks or a handkerchief in pink, blue or orange, to make it more cheerful if appropriate."

Far left: Ian Pollard's usual dress style for the office and meetings with clients – a sweatshirt bought from Disneyworld, a white Charles Tyrwhitt shirt, Harry Hall jodhpurs and boots by Anello and Davide

Left: Eva Jiricna – leggings, T-shirt and a Miss Selfridge jacket. She says: "I do believe in the word 'appropriate'. Part of my work involves producing modern designs which fit the limits of acceptance of traditional clients, and I would reflect that by wearing a skirt rather than trousers if it was appropriate."

Photographs: Lydia van der Meer

John Pawson is another architect whose dress reflects his professional concerns. He is famous for his bare, almost furniture-less, flats and cool Japanese restaurants. His work pushes the architectural dictum "less is more" to the extreme. Pawson favours plain, dark suits and shirts without ties, with clean, uncluttered lines and no decorations. It is a contemporary look associated with Japanese labels such as Comme des Garcons.

But Pawson is reluctant to adopt the minimalist tag usually applied to his work for his personal style. "How about restrained? Simple? Calm?" he suggests.

With architects such as Pawson and Jiricna, it seems that stylistically, what you see is what you get. Jiricna agrees. "It's inevitable that when you are constantly surrounded by problems of an aesthetic nature, then everything becomes based on your attitudes to the aesthetic. Subconsciously, you are bound to look at things from that same angle, which is going to be reflected in what you wear."

But that is not always the case. The radical glass pyramid in front of the Louvre was designed by the traditionally dressed I M Pei. And the biography of Richard Rogers recalls how, in 1977, he was invited to the initial briefings by Lloyd's for its new building. "Rogers – aware not only that the client was rather different from the experimentally inclined French government of 1971 but also that times had changed – bought a grey Yves St Laurent suit for the occasion and borrowed a tie."

That is the kind of compromise which is unacceptable to Ian Pollard. This year, Pollard was the only architect among *Esquire* magazine's ten best-dressed men for 1993. Photographed in his habitual straight leather riding boots from Manolo Blahnik, and the shoulder-length hair which has not been cut for more than 20 years, he declared: "I dress the way I want to dress. If that doesn't conform to accepted codes, that's too bad."

His dress signals his uncompromising approach. This, after all, is a man whose professional wardrobe has featured a wolfskin coat, bootlace ties, decorated Kansai jackets and black jodhpurs. He said in one interview: "If I was very straight in a grey suit, presenting a grey personality, it would be cheating myself. A grey suit would mean I was prepared to fit in with anything they wanted. They can forget it."

Clearly, Pollard's dress gives an indication of both his professional attitude and his architectural style "Eclectic, I suppose!" he laughs. And Pollard is scathing about the dress of colleagues today.

"It's really a profession in which a bow-tie is considered racy. Architects want to look like the clients they want to get. Invariably, that client, as far as big projects are concerned, is a corporate client. To a corporate client, anyone who doesn't dress like another corporata man is persona non grata, and his thought processes are considered questionable.

"A corporate client cannot identify with anyone who does not fit the categorias with which he is familiar. So the architect tries to present himself as the corporate man the client is looking for. It's a sad reflection, the kind of architect's compromise which means we also end up with bland, compromised buildings."

That is a view which Eva Jiricna rejects. "I do believe in the word 'appropriate'," she explains. "Part of my work involves producing modern designs which fit the limits of acceptance of traditional clients, and I would reflect that by wearing a skirt rather than trousers if it was appropriate."

To many observers, architects are the best-dressed of all professionals, combining individual freedom with an inherent sense of style. Eva Jiricna says she is struck by the style of the architectural students. "The girls in particular are tremendously inventive and smart, as opposed to student chemists, who are remarkably uninteresting."

Ian Pollard remains unconvinced. "Of course, if you're concerned about the design of buildings, you should be concerned about the design of everything else. But if you measure architects' dress on a scale of 0 to 100, they only manage to get it up to 7 or 8.

"You'll find as many grey suits in architecture as in any other profession."

FOOD AND DRINK

Cookery/**Philippa Davenport**

A quick bite along party lines

HIGH-SPEED, home-cooked alternatives to the ready-prepared meals of the high street multiples – microwaved, trayed and cardboard-boxed – seem to have struck a chord with readers, particularly those who are, in the words of one, "always in search of something as easy as pasta but more unusual and more glamorous. In other words, dishes that are genuinely practicable for mid-week dinners *à deux* and could even be used for a dinner party."

So, here is my suggestion for an informal and relatively effortless mid-week dinner party.

RED MULLET WITH PESTO

(serves 4)

A first and main course rolled into one, this is served best in deep soup plates, with forks for spearing the fish and vegetables and spoons for supping up the broth. Salad, plus a handsome selection of cheeses and good chocolate or sweetmeats with coffee, are all you will need afterwards.

Ingredients: Red mullet, cleaned, scaled and filleted (enough to yield 1-1½ lb of fillets); 3-4 oz green beans; 2 oz small young spinach leaves; 2 leeks; 2-2¼ pt unsalted fish stock; a good pinch of saffron strands pounded with mortar and pestle; a long curl of finely-pared orange peel; a generous splash of Noilly Prat; 1 ciabatta loaf; 2 or 3 sprigs of basil; home-made pesto (or Le Roi with a grating of Parmesan added).

Method: Remove any scales and bones the fishmonger may have missed and cut the fillets across obliquely into generous bite-size pieces. Dust the skin – but not the flesh of the fish – lightly with salt. Top and tail the beans and cut the leeks into chunks. *Slice* the bread, toast it lightly, spread with pesto, pile it on to a plate and keep hot.

Fast-boil the Noilly Prat until reduced by half. Add the fish stock, orange peel and saffron and bring to the boil.

Drop the leeks and beans into the pan and cook them until just tender. Then add the spinach and the finely-torn basil leaves: they will need little more than a minute to wilt and heat through.

While the broth and vegetables are cooking, beat a well-seasoned frying pan and dry-fry the fish (in two batches). First, cook it skin side down. After about two minutes, when the skin is crisp and the flesh has begun to change colour, turn it over and and fry it flesh side down for just a few seconds. Remove and keep hot in a tureen while you cook the rest of the fish in the same way.

Discard the orange peel and ladle the vegetables and broth over the red mullet. Check seasoning and bring to table with the toast (the *idea is to eat the stew and nibble* the toast on the side).

Then drop the remaining toast into the tureen so it soaks up the flavoursome liquid and softens enough to cut with a spoon and sup with the broth.

PROCESSOR PESTO

I always used to make pesto by hand - aromatherapy *par excellence* if you have the time for it - but I have decided that metal blades do not taint basil as mortar and pestle addicts once led me to believe. The new generation of Magimix machines contain a miniature inner bowl which is ideal for making pesto. A labour of love has been reduced to an unlovely but efficient one-minute task.

Ingredients: A handful of fresh basil (ie. 2 little supermarket bunches): 1-2 garlic cloves; 1 well-rounded tablespoon pine nuts or flaked almonds; scant 2 tablespoons freshly-grated Parmesan cheese; 2-3 tablespoons extra virgin olive oil.

Method: Strip the basil leaves from the stalks and put them into the mini-bowl of a food processor. Chop the garlic and crush it with a good pinch of salt. Add it to the bowl and whizz briefly. Add the nuts and cheese and process again until the ingredients are all chopped finely and well mixed.

Finally, add enough oil to make a creamy purée-like paste, adding it slowly through the funnel while the machine is running. Check seasoning and serve.

Getting to grips with the R-word

The world's greatest white grape does not have to be sweet to be good, as ***Jancis Robinson*** *confirms*

WINE NAMES are *full* of pronunciation traps. Cos, Montrachet and Moët can all sort out the Moutons from the lambs, but the most commonly mispronounced name of all must be Riesling, which is "Reece-ling" and *not* "Rise-ling".

This is all the more lamentable since Riesling is the greatest white wine grape of all, lives for ever and, as demonstrated eloquently at recent tastings held in Paris and London, and New York on Monday, does not have to be sweet to be good.

The tastings could not be concurrent since they were the child of one brain, whose owner was understandably keen to attend each one. Stuart Pigott is a dedicatedly non-partisan wine writer in his early 30s who divides his time between south London and Germany but sees his mission as sniffing out some of the finest wines being made today, wherever they may be.

His particular speciality is Riesling, about which he has written four books (two of them self-published guides to the best wines made in Germany in 1989 and 1990), and he has for years wanted to set up a blind comparison of the finest Rieslings of the world.

The super-concentrated 1990 vintage at last provided him with an even playing field for the Rieslings of Germany, Austria and Alsace in France. And he had to choose the razor-sharp dry style of Riesling since that is just about all Alsace produces. Germany and Austria used to make predominantly sweet wines, and British and American wine merchants still import little else, but within Austria and Germany there has been a wine-making revolution, partly provoked by the 1985 diethylene glycol scandal in which only sweet wines were implicated.

Thus, since about 1988, almost all regions of Germany and, in particular, the cool and dramatic Wachau district of Austria make a wide range of fully fermented, non-sweetened Rieslings in the racy style of Alsace (which style has in any case been the only acceptable form of Riesling for many younger British and American wine drinkers).

The Pigott tasting, held at the Gavroche with Riedel glasses as indications of seriousness of intent, comprised six flights of wines (this collective noun for once seeming appropriate, given the airborne quality of fine dry Rieslings) of which a dozen came from each of Austria and Germany and 10 from Alsace.

"This tasting is in many ways the most impossible thing I've ever tried to do, because of the impossible combination of political interests," was his somewhat devigorated comment on the machinations involved in persuading the three generic promotional bodies concerned to underwrite such a potentially damaging exercise.

In the event, what was extraordinary to me was the similarity in style between the wines, yet the dissimilarity between that style and the stereotypical description of Riesling. There was hardly a wine that could be described as "flowery", while Riesling, like any great grape variety, proved itself as a vehicle for transmitting location. Virtually all of the producers seemed to be trying to pack such concentrated and local character into the bottle as possible, so that many were marked much more by a distinctly mineral note, with explosive, but definitely dry fruit on the palate. Lime, wet stones, gunsmoke, paprika, honey and even salami cropped up in my tasting notes, and they were all beautifully balanced, except for some very ripe wines in which the alcohol was just a bit too much for this delicately transparent grape variety.

As has become customary at any serious blind comparative tasting (especially one funded by the participants), we were urged at the beginning that this was Not A Competition. But, as has also become customary, there was a show of hands for favourite wines at the end.

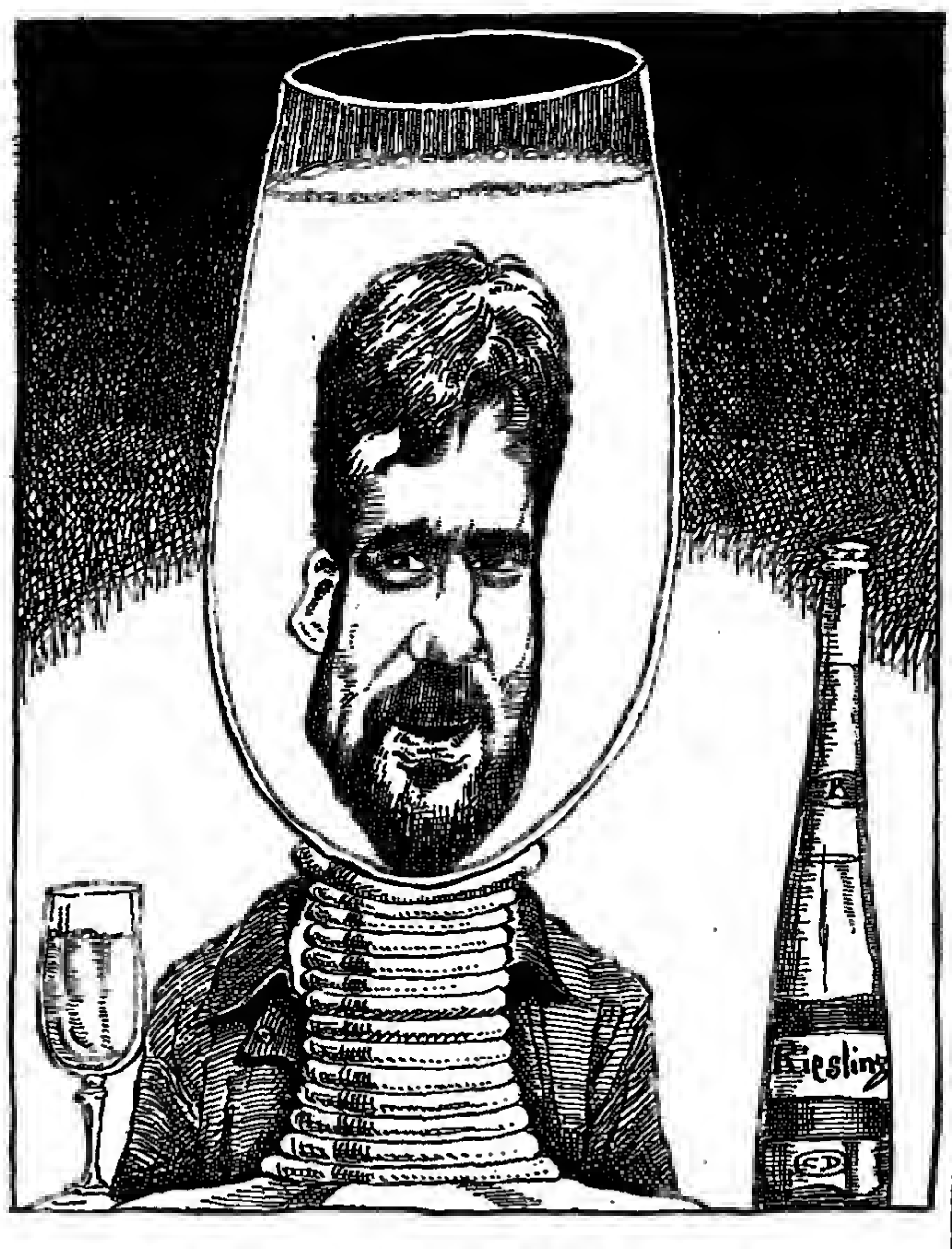
The London favourite seemed to be an Austrian, a Dürnsteiner Kellerberg Smaragd from the Wachau magician F X Pichler, which had been second favourite in Paris where, perhaps not surprisingly, an Alsace wine had been favoured; Marcel Deiss's Schoenenburg (£22.50 from Lea & Sandeman, see below).

It is difficult to exaggerate how well a top quality dry Riesling goes with food – far better than most Chardonnays which can be extremely blunt instruments to apply to the palate and head at the start of a meal.

High acid plus relatively low alcohol, now minus sugar, *should* equal success for this exciting new style of fine wine.

■ Where to buy dry Rieslings: It is near impossible to find the lovely Wachau Rieslings outside Austria, and the dry Rieslings so treasured by Germans are only slowly escaping that country – although try Philip Eyres of Amersham (tel: 0494-433823), Gelston Castle in Scotland (0556-3012), Oddbins and Summerlee Wines of Earls Barton (0604-810488) for names such as Juliusspital, Koehler Ruprecht, Lingenfelder, Müller Catoir.

Expatriated top quality dry Alsace Riesling is much easier to find. Adnams of Southwold (0502-724222) sells Blanck wines; Lea & Sandeman of London SW10 and W8 on (071-376-4767) has Deiss; O W Loeb of London SE1 (071-928-7750) has Faller, and Hugel; Morris & Verdin of SW1 (071-630-8888) has Ostertag; Thresher/Wine Rack/Bottoms Up has Zind-Humbrecht; and La Vigneronne of London SW7 (071-589 8113) has a wide range of Alsace including Kreydenweiss.



Welcome to the Jerk Centre

"SO, WHITE man, you want a lickle buss up shut?"

I was looking at a very large Trinidadian lady holding an 18-inch serving spoon in her hand. It sounded threatening. But she hardly seemed violent, so I took a punt on it.

I was handed a polystyrene box with knuckles of curry goat and some *parutha* (unleavened bread). It tasted good, but it left me wondering what *buss up shut* could be.

In Trinidad there are so many food stalls that you hardly need to sit down to a formal meal. And you can start right outside the airport when you arrive – Queenie will give you a *roti*, an envelope of filled bread.

The many snacks on offer reflect Trinidad's extraordinary mix of population. *Rotis* are of (East) Indian origin (as are about 40 per cent of Trinidadians). So are *doubles*, more unleavened bread folded over double, with a yellow *channa* (split pea) filling, and *aloo pie* (aloo is Indianfor potato).

Aripa is supposedly of Spanish origin, a cornflour pattie with mince stuffing, while *pastels* (Spanish, via Venezuela) are a mix of peppers, raisins and minced beef wrapped in a *dasheen* (like spinach) leaf.

There is even Chinese in the mix. Earlier this century, Trinidad had quite a community of Chinese, though many have now left for the Pacific coast of Canada. Taken from the Chinese word for bread, *pow* is a ball of fluffy dough with a savoury or sweet filling.

Vendors selling batter balls often stand in a line together. You can buy *phulori* (split peas in batter), *sahina* (spinach) and *baiganni* (eggplant). Sweet mango chutney is on hand for a dip, but you are advised to be wary of hot pepper sauce.

There is also a variety of sweet offerings: *pamie* (supposedly of French origin) is sweet coconut with raisins in cornmeal. Only the very brave try a *tamarind ball*, a sluggish lump of unverifiable specific weight, a torture of bitter and sweet. If you fancy fruit, a walk around the centre of Port of Spain will get you anything in season from the back of a pick-up.

Coconuts are on sale throughout the islands. They are well worth trying, though it may come as a surprise that as soon as you show interest in having one, the vendor will promptly whip out his machete. Do not be alarmed. With a few deft strokes he will top the nut, leaving a small hole for you to drink through.

Another great Jamaican institution is the Jerk Centre. Contrary to what you might think, these are not gathering points for the socially ungainly (you will even find the occasional Executive Jerk Centre), but open-air barbecues where you can buy jerked meat.

Jerking is a special way of cooking meat, originally developed by the runaways in the Jamaican hills, who would shoot wild boar and cook it for a couple of days in an underground oven. Nowadays they use an open oven in the ground, with plum and mahoe wood for flavouring. The original pork has now become chicken, sausage and "spear ribs".

Your order will be hacked into bite-size pieces and bundled into a piece of paper. Then comes the offer of hot pepper sauce. Take the tiniest dab at first, because pepper sauce has a searing taste and a nasty habit of affecting anything edible for about 100 yards around.

It struck me that hot pepper sauce is what *buss up shut* had threatened to be. Eventually, my curiosity got the better of me and I asked what *buss up shut* was. The large Trinidadian lady took a piece of paratha bread and held it up. "You see it look like a shirt material?" (it looked like a piece of khaki denim). "Well now, I bust up de shirt," she said, tearing it up in strips, "an' so, you 'ave *buss up shut*."

James Henderson

Armagnac's allure

Pure column-still Armagnac is not cheap, says ***Giles MacDonogh***

OUR TASTEBUDS work in peculiar ways. Put a row of good cognacs on the table and nose your way through them, then try an Armagnac. It will appear coarse, eclipsed by the ethereal refinement of old cognac. Yet, there are times when only Armagnac will do; that rich, fruity, pungent spirit so close to its native Gascon soil.

The late-20th century has begun to blur the edges of the two great French brandies, pushing Armagnac a little way towards its more famous cousin. The Armagnacais who are implicated in the movement will tell you that there is an historical justification for what they are doing, and they are correct.

On the other hand, they are referring to a period of history which predates our century, and to spirits which few of us have been lucky enough to taste. What is important is not how Armagnac was made in Victorian times but that the motivation for change has been dictated by backroom accountants demanding an earlier return on investment.

What, then, are the differences? They begin with the soil. The best in Armagnac is the sand and clay of Bas Armagnac. Tenarezè is a heavier blend of chalk and clay, while Haut Armagnac makes the worst spirits on its wholly chalk soils. In Cognac, chalk soils are considered the best.

To a large degree the vines are identical which make the thin, acidic wines which distil to make great brandy. The dominant variety is Ugni Blanc or Saint Emilion. In the past Folle Blanche used to be the best in both areas, but this died out in Cognac before the second world war: only in Armagnac does an appreciable amount survive. Four or five growers continue to make a pure Folle Blanche Armagnac. In Armagnac there is also the Colombard grape and the Baco. The hybrid Baco will have to go before 2010, but it has its fans. Growers counter that it is only good because it is planted in the best vineyards of Bas Armagnac.

The chief difference lies in distillation. Both started out with the onion-shaped pot which distils in batches. At the turn of the century, Armagnac went over to the column still, a cheaper, continuous process. When the first legislation was introduced to govern spirit distillation in 1936, there were no pot stills left in Armagnac. The law was amended in 1973 and many distillers took the chance to install a battery of cognac-like pot stills.

Spirit runs off a pot still at a higher degree of alcoholic strength than a continuous still: 70 or more per cent, as opposed to as little as 52 per cent from the column. The pot-still spirit is cleaner, with fewer impurities. There is a disadvantage, however: you miss out on that powerful aroma of prunes, incense, spices and wild mushrooms and make a spirit which is neither Armagnac nor cognac, for pot-still Armagnacs rarely achieve any distinction in old age.

Where the commercial incentive comes in is that pot still spirits are ready to drink rather earlier than those made in a column still. You might market a pleasant drink when it is only two or three years old, providing you add a little cane sugar and caramel and stick it in a new oak barrel to give it a nuance of vanilla. Almost all "three-star" and many VSOP Armagnacs are made in this way, and pot-still spirit will be found in varying proportions in Armagnacs up to XO level. After that, deluxe and vintage Armagnac is produced by the traditional, continuous still.

Even traditional Armagnacs age more quickly than cognac. It is hotter in Gascony than in the Charentes and, throughout the summer months, distillers often lodge casks in hot lofts where the spirit gains in strength. The famous "rancio" character of old sherry, nuts, dried apricots and wild mushrooms creeps in earlier in Armagnac, when the spirit is about 10. In Cognac, you generally have to wait until it is over 25.

Wise blenders transfer their Armagnac from wood to glass demijohns after 30 years; otherwise, the woodiness becomes overpowering. This was demonstrated by an 1888 Armagnac from the Bas-Armagnac firm of Samalens. Extract of Armagnac, Pierre Samalens called it. It had been 80 years in cask.

Armagnac may sport a vintage date, a privilege denied to cognac. These vintage Armagnacs are available readily although many of the houses prefer their blends, which represent house styles as opposed to the caprices of the weather. Pure column-still Armagnac does not come cheap.

The merchant house of Larressingle makes a nice spicy "Très vieil Tenarezè" at £25 from Balls Brothers (311 Cambridge Heath, London E2, tel: 071-739-1642). Samalens' prune and iris-scented Vieille relique will set you back about £50 from Harrods (071-499-6292 for other stockists). The slightly harder style of Tenarezè is well represented by the Armagnacs of Château Pomès Pébérerè.

Arthur Rackham and The Vintner shops sell the 1961 vintage at £52.99 but, if you baulk at that, there is a pure column-still VSOP at £18.89. For the more aromatic spirits of Bas Armagnac, the Domaine de Mouchac 1976 is made in a benchmark style (£50 from Lay and Wheeler of Colchester (0206-577-273).

The very best Armagnac I have tasted this past year, however, is the Folle Blanche from the Domaine de Boignières with its delightful aromas of flowers and apricots. It is just what Armagnac ought to be and worth every penny of £70 from Bloomsbury Wine and Spirit (071-436-4763) or Harcourt Fine Wine (071-723-7202).

Appetisers/ **Philippa Davenport**

Stocking up

Anne Petch, of Heal Farm was, I think, one of the first farmers to start selling traditionally reared meats (fresh, cured and recipe products) by special overnight delivery nationwide. Now she has come up with a natural extension to that range, "home-made" stocks. Rich pork jelly stock is already available, with lamb and beef stock to follow shortly. She recommends refrigerating the stock on receipt for no longer than two days or freezing it for up to three months – if you can resist tucking in that long. Heal Farm, Kings Nympton, Umberleigh, Devon EX37 9TB. Tel: 0769 574341. Fax: 0769-572839.

■ St Patrick's day celebrations continue with the launch of the 1993 editions of John and Sally McKenna's prizewinning Bridgestone guides: *The Irish Food Guide; 100 Best Restaurants in Ireland; 100 Best Places to Stay in Ireland;* and *100 Best Places to Eat in Dublin.* If you rejoice in good food, fun and feisty prose, it would be a crying shame to visit Ireland without at least one of them. From good bookshops and direct by mail from the McKennas at Estragon Press, Coom Keen, Durras, Co Cork.

■ Elderly dons donning an apron for the first time, aspiring lads and lasses fresh from school, professional caterers, housewives and pen-pushers like myself are just some of those who have benefited from lessons given by Sonia Stevenson, former chef-proprietor of the Horn of Plenty restaurant. Fish cookery and sauces are her speciality. Classes are limited to eight pupils. Courses run from 1-2½ days midweek, also weekends. Forthcoming venues include Cullompton in Devon, Inverness and Wimbledon. For details contact: Sonia Stevenson, The Old Chapel, Bethany, Trerulefoot, nr Saltash, PL12 5DA. Tel: 0752-851813.

■ And now . . . English eau de vie from Wootton Vineyard in Somerset. Somerset Eau de Vie is made by distilling young wine and ageing it for a few months in cask. The result is extremely successful with a good flavour. Retail price around £14.75 for 50cl. Inquiries to Major Colin Gillespie on 0749-890359.

SPORT AND MOTORING

Rugby Union

Pride of Lions with an English accent

TOMORROW morning, those selecting the British Lions' rugby squad to tour New Zealand this summer will announce their choices. Gentlemen, you need not bother. I have picked the party for you. Take the day off.

Although it is never easy to pick Lions' teams, I believe the 1993 party is easier to select than, say, those of 1983 and 1989. Players from England – which is vying with New Zealand to be the second-best rugby nation in the world – obviously should form the core of the party.

Some ground rules. First, I am selecting solely on ability. Lions' teams have been dogged by regional parochialism. Imagine the scene: selectors representing each of the four home unions gather round the table. As the composition of the party takes shape, one selector realises that there will only be a couple of players from his country. This will reflect badly on him and colours his comments.

Since it is impossible for me to predict these outbursts of chauvinism, I have ignored them altogether. How nice it would be to think there will be none and that the best party is chosen.

The new laws have encouraged the up-and-under as an attacking tactic. Full-backs who are safe under a high ball are essential. Gavin Hastings is one and so, generally, is Jonathan Webb. And while neither is entirely reliable with the boot (look at Webb against Wasps last Saturday), there will be other goal-kickers in the party.

Wings? The Underwood brothers are scorching attackers and deadly finishers. Ieuan Evans, provided his shoulder is all right, would be a good vice-captain. He has led Wales well since he was appointed captain 18 months ago. The fourth wing is a toss-up between Ian Hunter of Northampton and Ireland's Simon Geoghegan. Geoghegan is the better wing, Hunter the more rounded player who can play full-back as well. Since versatility is an asset on tour, I prefer Hunter.

Will Carling and Jeremy Guscott are unchallenged as the first-choice partnership in the centre. Scott Gibbs, the sturdy young Welshman, should go. He is a rock-solid tackler, as is Scott Hastings. I give my nod to Hastings, though not by much over the Bath club's promising Phil de Glanville.

Stuart Barnes and Rob Andrew are as clear a choice as stand-off halves as Carling and Guscott outside them. They complement one another. Barnes has an edge on a firm pitch because of the way he can get his line moving. He demonstrated this brilliantly at Twickenham against Scotland. Andrew is a doughty competitor and a good goal-kicker. The competition between them will be keen.

John Hopkins saves the British and Irish selectors the trouble of picking a party to tour New Zealand

Gary Armstrong is the obvious first choice at scrum-half. Will the other be Dewi Morris, whose tendency to play as a ninth forward can be so useful, or Robert Jones, the quick-passing technician? Jones could have lost his chance by operating behind a beaten pack for most of the season. Morris is my choice.

No. 8? A man like Dean Richards is so essential component of a team in New Zealand where at least some of the games will be played in mud. His upper-body strength and ability to tie-up the ball will be invaluable. With training every day, he should get a bit fitter, too.

If, however, the ground is dry and the game is expected to be fast and loose, then Ben Clarke would be an acceptable choice at No. 8. He could even play blindside flanker with Richards at the back.

Is Wade Dooley a spent force? I think not. If there are four better line-out forwards in the home countries, then I am a Dutchman. He will benefit from regular competition, which he does not get with Preston Grasshoppers.

Martin Bayfield should go along with Martin Johnson, who is known and respected in New Zealand. Candidates for the fourth place as a lock include Gareth Llewellyn, who has blossomed this season as captain of Neath; Neil Francis of Ireland; and the Scots, Doddie Weir and Damian Cronin. Francis is my man.

Kenny Milne and Brian Moore are certainties as the hookers. Jeff Probyn and Jason Leonard as two of the props. I think that Nick Popplewell, the fiery Irishman, and Paul Burnell of Scotland, should join them.

Flankers? Peter Winterbottom picks himself because he is one of the best in the world. I think Neil Back deserves a chance to demonstrate his phenomenal workrate on the open-side. Mike Teague is another New Zealand style forward, a man who blossomed on tour in Australia four years ago and could do so again this summer. Emyr Lewis was a leading candidate four months ago but has not played at his best this season. Tim Rodber has come on at Northampton under the aegis of Wayne Shelford and, like Clarke, could play either at No 8 or flanker. He deserves a chance.

Now, having picked the team one must address the ticklish question of the captaincy. It is true that Carling is the most successful captain in world rugby. But that does not take in to account that he does not seem entirely at ease with it and, more to the point, what goes with it – the media and all that. Hastings manages to do both with less apparent discomfort.

It might be a horrible mistake or it might be a moment of inspired thinking to make Hastings the captain and give Carling a break from captaincy to concentrate entirely on his own game. I plump for Hastings.

So there you are Lions' selectors. I have done the job for you in half the time and at no cost. The party comprises 21 Englishmen, five Scots, two Welshmen and two Irishmen. I must now duck my Irish and Welsh friends and colleagues for having picked only two men from their country but I did say I would select strictly on merit.

Thus the composition of my party is (English unless otherwise stated): G Hastings, (Scotland) capt, J Webb, R Underwood, T Underwood, I Evans, (Wales), I Hunter, W Carling, J Guscott, S Gibbs (Wales), S Hastings, (Scotland) S Barnes, R Andrew, G Armstrong (Scotland), D Morris, J Probyn, J Leonard, N Popplewell (Ireland), P Burnell (Scotland), B Moore, K Milne (Scotland), W Dooley, M Bayfield, M Johnson, N Francis (Ireland), P Winterbottom, N Back, M Teague, T Rodber, B Clarke, D Richards.

The worker: Neil Back should be rewarded with a place on the Lions tour

Tennis/**John Barrett**

Learners and earners

WITH THE soft spring sunshine bathing the scene once again at Key Biscayne on Thursday, Jim Courier looked pretty relaxed. He had just beaten Mikael Pernfors of Sweden to reach the fourth round of the Lipton tournament. Even though he would have to play a second singles that night (a match he was destined to lose), because of the severe storms in south Florida which had delayed progress at the ten day event, the world No.1 could afford to smile. The 22-year-old American has already won three tournaments this year and banked $621,809 (£438,000) to add to career earnings which had reached almost $5m by the end of 1992.

Just up the coast at Boca Raton, life had a harder edge for four impecunious young Britons. Thursday was the first day of qualifying on the opening leg of the four week Florida Satellite Circuit. For Tim Henman, Nick Goold, Barry Cowan and Dan Sanders this was a life or death mission, a quest for points. Computer points. They alone measure a player's progress. They alone are the passport to a place in the draw and potential prosperity on the whirling multi-million dollar roundabout that is men's professional tennis in 1993.

After winning the British Junior Championships last September, Henman's reward was to be part of a British junior squad sent for a four week apprenticeship on the Morocco circuit followed by one week each in Zambia and Botswana plus two weeks in Zimbabwe. That was his first taste of the professional scene.

"I qualified and won two rounds in Morocco to earn my first points – it was an unbelievable feeling," he remembers. "People have no idea what it's like at the qualies. The competition is so fierce. After we'd reached the quarter finals of the Sunshine Cup team event last December we went off to spend four weeks on the satellite circuit in Portugal. Every man and his dog showed up that first day – 223 guys signed in. It was a zoo out there. But at least I earned a few points. It was a start."

Sanders has not yet made that start. "It will be a huge weight off my shoulders when I win my first point" he says. "There's so much pressure these days, but I don't mind that, now that the LTA are helping me with the cost of competing."

Along with Henman, Goold and Cowan, Sanders is part of a national squad formed last July and managed by LTA coach David Felgate. Sanders, from Yeovil, in Somerset, came to the fore by reaching the semi-finals of the 1991 national Junior Championships in his penultimate year as a junior. Before he earned help from the LTA life was a struggle for his parents.

Dan recalls his attempts to follow the path he had chosen: "They wouldn't let me play tennis at school so I left at 16 and joined John Hicks' squad in Wrexham, playing tennis four days a week and going home at weekends. But each year that cost my dad £3,000 for just six months and he was also having to pay for my sister at university. Then there was the huge expense of travelling round the tournaments."

Thanks to the efforts of Billy Knight, the former British No.1 who guides the fortunes of Britain's best youngsters do at last have a realistic chance of making the difficult transition from junior to senior tennis. Not simply because there is financial help available. There is also an improvement in the whole area of development. As Henman says "There is a much more professional attitude to training, practice and preparation for matches. I have just had a full medical at the Olympic Medical Institute. I realise just how much stronger I need to be and I now have a full training programme to work at."

Henman has no illusions about the task he faces. "I have to rate myself against people like (Andrei) Medvedev, he's the same age as me and already ranked 21 in the world . . . that's just 759 places higher than I am".

If heredity has any influence, Henman must have a chance. His grandfather, through his mother Jane, was the pre-war British Davis Cup player, Henry Billington. "I've been playing since mum and dad started me off at the age of two-and-a-half. We were lucky to have a court at home so it was always possible to practise."

When David Lloyd started his Slater Squad some five years ago, based on Reeds School and his Raynes Park club, Henman was in the original intake. Tim says Reeds played an important role in keeping a balance to his life. "There was nothing special about being a tennis player there. When you went back after practice at the club you simply joined the other kids in normal school activities."

Henman believes the man he must thank for his sound technique is former Davis Cup player Steven Shaw who accompanied James Bailey and Jamie Delgado on their successful trip to Australia in January. Shaw was deputed by David Lloyd to instil a professional attitude in his charges.

With healthy competition between the many squads that now exist around UK, both at the centres built as part of the Indoor Tennis Initiative (ITI) and at others in private hands, there are the beginnings of the long-awaited British tennis boom. Much has still to be done. As Davis Cup captain Tony Pickard said this week in Key Biscayne, where he was working at court with Stefan Edberg, "We are still not getting the co-operation we need from some of the coaches in coming along with their best youngsters – even though most of them don't have a clue what it takes to exist in this environment."

His arm swept in an expansive arc to embrace this makeshift tennis centre, built on a former rubbish tip, where the world's best men and women, an exclusive band of wealthy athletes, will divide $3m this week. Perhaps the far away look in his eye is a reflection of how long it will take before Henman and Delgado can expect to amass enough points to join the charmed circle.

Motor racing/**Keith Wheatley**

Wall of death at 230mph

SURGICAL expertise is never acquired in the abstract. The Royal Victoria Hospital in Belfast, for example, is quite the best place in the world for treating bullet wounds to the brain. At the Methodist Hospital, Indianapolis, Dr Terry Trammell's expertise at stitching together injured racing drivers is quite exceptional.

Last May, the man on the table was Brazilian driver Nelson Piquet. He had run into the unyielding wall of the Indianapolis motor speedway at around 220 mph. The front of the car disintegrated; so, too, did Piquet's left ankle. "The bone was just pulverised to the point where it essentially wasn't there," reported Trammell after eight hours of micro-surgery.

IndyCar racing, in which Britain's Nigel Mansell makes his debut tomorrow, is the blood'n'guts version of motor sport. Two things make it especially dangerous; gladiatorial, even. One is that the cars are much quicker than the F1 projectiles, averaging 230 mph at some circuits. The other is that the oval circuits, hemmed by a concrete wall, leave no opportunity for such niceties as "spinning off."

Tomorrow the season begins with 65 laps, totalling 181 miles, around a street circuit on the Gold Coast, Australia's answer to Las Vegas. Because of Mansell, it will be the sport's admission to the big-time for European fans: British terrestrial commercial television has bought the rights to the season's racing which will also go out on satellite TV.

On his first day in the cockpit in Phoenix, Arizona, Mansell came within 0.5 secs of breaking the track record set by Michael Andretti. Actor Paul Newman – co-owner of the team – leant into the car and shook the Englishman by the hand saying: "That was a mother of a lap."

Newman's partner, Carl Haas, was equally impressed. "I knew he was good but not that good," said Haas. "For someone to come in cold and immediately go that fast is scary. The guy has fantastic car control, experience and skills. If he can do that on an oval, on a road track he will be totally awesome."

Mansell himself was uncharacteristically humble: "Nothing about it compares to anything I've ever done before or anything in Formula One. It's a completely different world," he told a huge media crowd. "It holds your attention totally. And as far as physical stress is concerned, it's very hard."

To some of its fans IndyCar retains the "purity" of F1 before it went hi-tech with semi-automatic gearboxes, intelligent suspension and radio-telemetry between engine and the pits. IndyCars produce more raw horsepower through bigger engines. One should not dismiss it as crude. Honda, which stopped supplying F1 engines in 1992, will supply them to the 1994 IndyCar world series.

Some detractors say that on the oval circuits Indy is just a barbaric test of nerve. The laws of physics mean that on the extreme edge of the track, where the curves are shallower, cars travel fastest. They are also closest to the concrete wall. Tyres sometimes brush the wall as the cars lap at 230mph or so.

Experienced Indy drivers rarely hide how frightened it can make them. Tom Sneva, winner of the 1983 Indianapolis 500, was asked if he had run a little close to the wall on the final turn. "I don't really know," he replied. "Usually you have your eyes closed at that point."

There is the possibility that an IndyCar oval may be built in Britain. At least one circuit owner is deep into a feasibility study. Outline planning permission is already secured.

The sport is enjoying a PR boost even the advent of a movie star driver (Newman) could not create. "Our appointment of Nigel has created a gravy train for all the other teams in IndyCars," said a spokesman for Newman-Haas.

The only doubt is the possibility that Mansell – whether he admits it to himself or not – may just be taking a sabbatical from the F1 big time. He maintains his F1 career is over; leaving at the top with 30 wins and the world title. Others are doubtful.

Frank Williams, his former boss at Williams-Renault, predicts that before the year end Mansell will be talking to F1 people about a contract for 1994. The oval tracks may be a struggle but Williams said recently that Mansell would do enough on the street and road circuits to win the title.

"Nigel will demonstrate when he starts driving in the States that Indy is not the same standard as F1. I think he will be in a class of his own and just disappear," he added. There are precedents. In the 1960s two British drivers, Jim Clark and Graham Hill, came to the heart of US auto-racing and won the Indianapolis 500. Both returned to F1.

Motoring/**Stuart Marshall**

Get a grip on tired tyres

ONE CAR tyre in three is worn beyond the point of illegality before it is replaced. Another 40 per cent are changed only when they have worn right down to the limit.

Tom Farmer, chief executive of the Kwik-Fit chain of specialist tyre dealers, finds this "horrifying". The official view, as expressed by Kenneth Carlisle, Roads and Traffic Minister, is more relaxed.

He sees the figures – revealed by a nationwide survey – as "showing that, on average, tyres are being changed when they reach the legal limit . . . and confirming that the public has understood the recent change in the law."

According to another recent survey, many drivers do not know the urban speed limit is 30 mph and the motorway limit 70 mph. So what chance is there of their being aware that to be legal, a tyre must have at least 1.6 mm of tread pattern remaining in a continuous band covering at least 75 per cent of the width of the tread?

It seems that tyre neglect will always be with us.

Yet another survey (the public opinion pollsters must be immune from the recession) suggests that road hauliers, though always moaning about rising costs, throw away £80m a year in premature wear caused by abuse and neglect of lorry tyres.

Nothing is more essential to safe driving than a good set of tyres. But mention tyre care to most motorists and their eyes glaze over. Tell them that four new ones for their sporty, 130 mph (210 kph) family saloon will be over £500 and they mutter highway robbery. Even though the elaborate in-car entertainment system they selected cost far more.

Today's steel belted radial tyre is long lasting (and long suffering) as well as life saving. Even better ones are starting to appear on new cars and in specialist dealerships or are waiting in the wings. For example, at Geneva Show earlier this month, Michelin unveiled a futuristic tyre called Anhinga on the Renault Racoon, a concept for an amphibious, go-anywhere leisure vehicle.

The fat, low pressure Anhinga's tread pattern looks like animal hoofprints. It blends with the terrain it runs over and does less surface damage than a normal off-road tyre. Michelin made it of green rubber to show it is environmentally friendly.

Very low rolling resistance Michelin tyres are helping the latest Citroën AX diesel to be the world's most economical production car. Over 65 mpg (4.35 l/100 km) is possible in normal use yet it remains agreeably driveable.

For years, the tyre industry has been trying to defeat the curse of the wide, ultra-low profile tyre aquaplaning in heavy rain. A bright idea, by Swiss inventor Jerry Juhan, was to replace one big, fat tyre with two very narrow ones, mounted side by side on a special wheel.

Instead of surface water building up dangerously, as it might under a very squat tyre's footprint, it flowed through the gap between the two skinny tyres. Narrow tyres do not aquaplane. The Juhan twin-tyre concept beat that particular bogey.

But there were problems as well as benefits in having twin tyres. Goodyear and Continental use the same aquaplane-defeating centre channel on their Aqua-Tread and Aqua-Contact tyres. But they are conventional ultra-low profile types with a deep grove moulded in the centre of their tread.

Michelin has taken the idea a stage further. At Geneva Show it displayed Catamaran, a prototype tyre for super cars like Ferraris. It looks much the same as its Goodyear or Continental rivals but is made more like two separate tyres, though still sharing the same air chamber. A thick reinforcing cable buried in the bottom of the groove ensures its depth – and water clearing capacity – stays constant as the twin treads wear away.

Like so many tyre innovations, Catamaran is not brand-new. Michelin patented the design in 1972.

If 21 years seems a long time between concept and reality, consider the radial ply tyre. Two Englishmen, Grey and Sloper, patented it in the reign of King Edward VII. But it was another 40 years before a Citroën Six became the first car to run on radials (Michelin X) in 1949.

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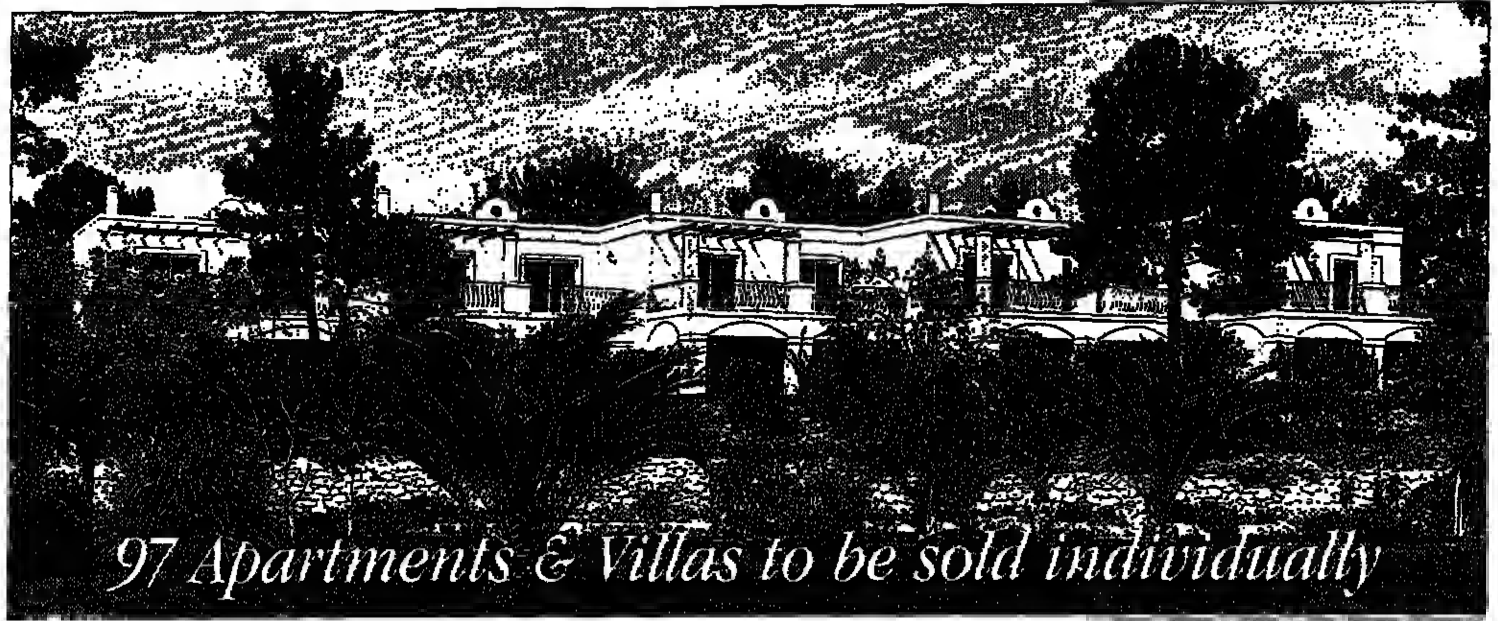

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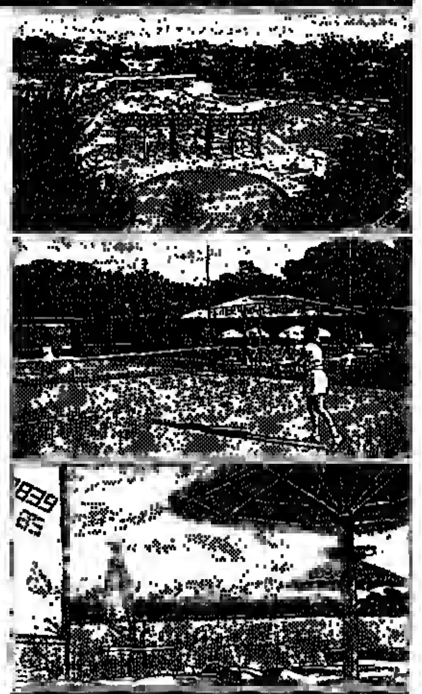

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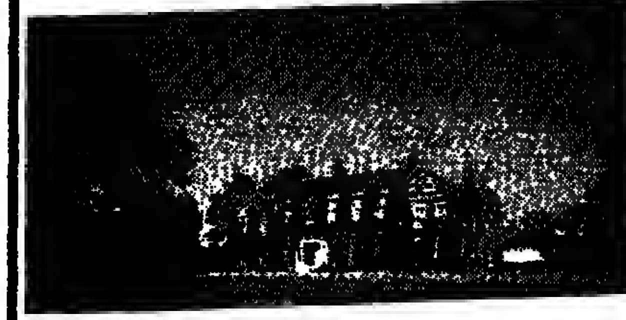
COUNTRY PROPERTY

CLUTTONS



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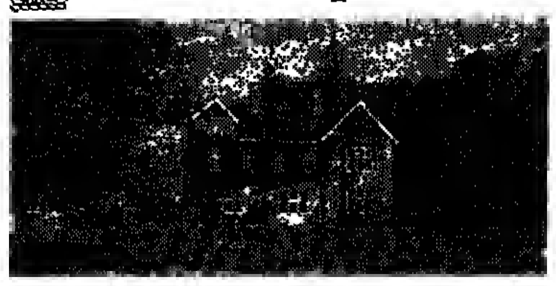

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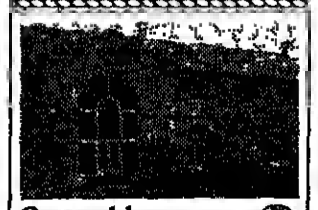
On 3 April 1993
the Residential Property pages will focus on
SPAIN
For further information please contact
Jane Cook Tel: 071 873 4839 Fax: 071 873 3098

COUNTRY PROPERTY

Jackson-Stops & Staff



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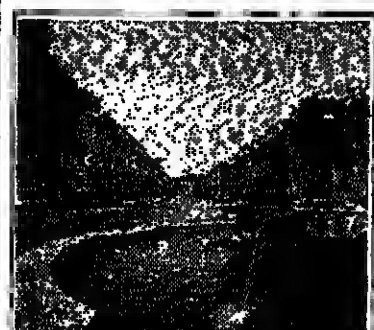

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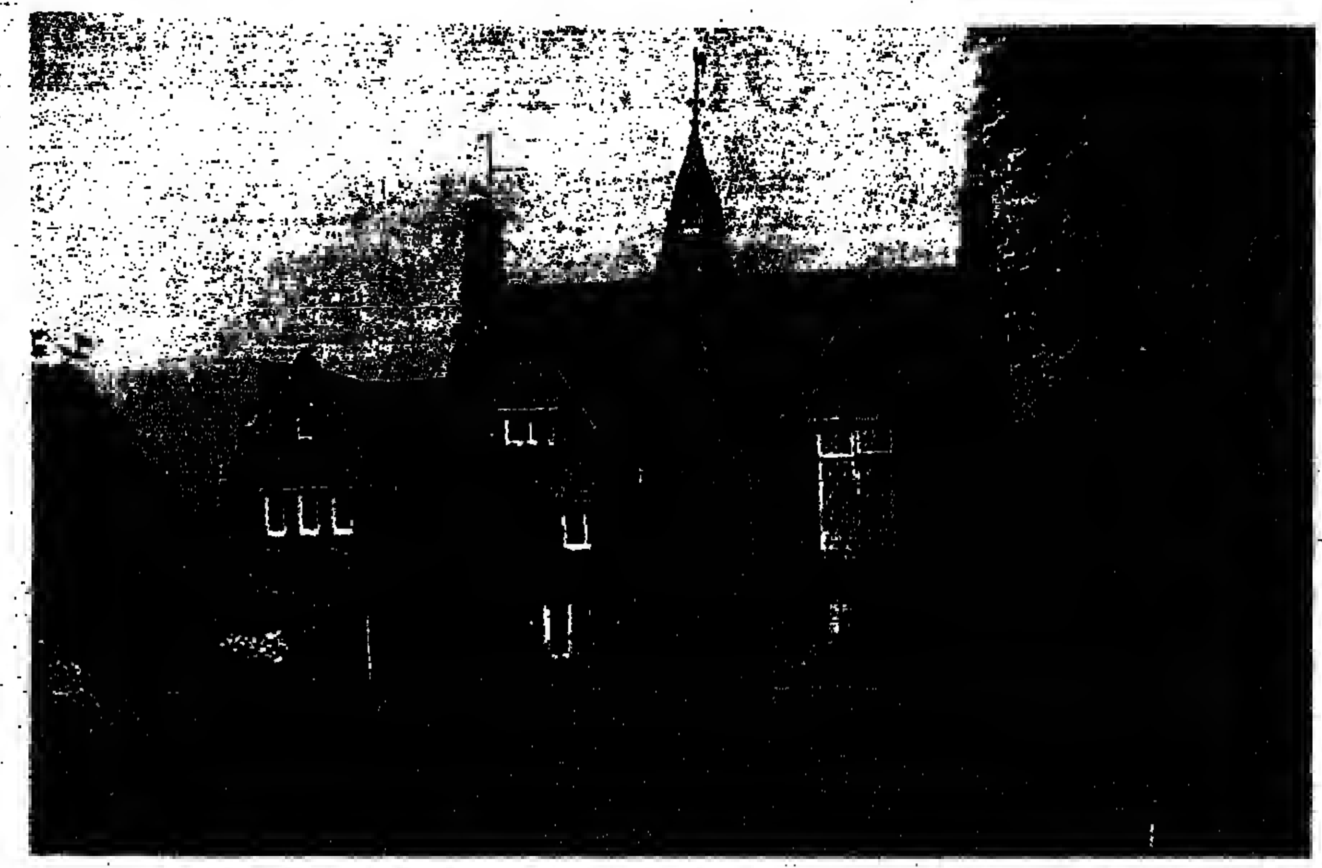


Left: The Dower House at Gayton, Northants, built for a former headmaster of Harrow school. Right: Mountfield House at Staplestreet, Kent, which once was the home of a Methodist hymn-writer

For space and grace, go for a rectory

*With congregations falling, **Gerald Cadogan** discovers that not only are there plenty of cast-off Church houses for sale but some of them come with an unexpected bonus*

ONCE, when the Church of England still had substantial congregations, rectors ran parishes and lived in rectories: substantial family houses, larger than most in the village and at its heart, next to the church itself. Position in the social pecking order – and attendant responsibilities – were made manifest in brick and stone.

Now, though, the Church has sold nearly all the rectories it can. Parsons cannot afford to live in them unless they have private means to supplement a typical salary of £12,000 – and few do. Then again, many rectories became surplus when parishes were re-organised into groups of three, four or five churches under one priest.

Rectories, new and old, have one common bonus. Downstairs is an extra room for the study where the priest wrote his sermons and held confirmation classes.

In old rectories, it is often the same size as the dining or drawing room. Expect also plenty of bedrooms; a pantry, scullery and larder as well as the kitchen; several outbuildings; and a garden of between half an acre and six acres.

The house probably will come with covenants forbidding you to turn it into a pub or make a disturbance during services. But these are not onerous restrictions. And if you are buying it from the Church, there is an unexpected plus. Thanks to the Ecclesiastical Residences Act 1776 and the Parsonages Measure 1938, the deal is free of stamp duty.

That will be the case on Wednesday when the 16th-19th century rectory in the large village of Porlock, on the north Somerset coast and the edge of Exmoor, is sold at auction by Cluttons, the diocesan agent, with a guide price of £160-200,000.

In a similar sale on April 21, Cluttons will auction Berrow rectory near Burnham-on-Sea. This is an attractive Georgian brick building which retains its coach house and comes with a guide price of £150,000. For another £30,000 or so, there is a second lot with planning permission for a house.

Cluttons also has three old rectories in Somerset for sale by private treaty. One – at Croscombe, near Wells – has Georgian sash windows, a granny flat, three acres and a tennis court needing repair and netting. Price: around £270,000.

In the south-east, old rectories cost more. At Washington, in West Sussex, King & Chasemore and Jackson-Stops offer one dating from the 1820s – a time when many rectories were built. Its standard Georgian looks (for around £360,000) would be more at home in a town than a village. The Georgian house at Ampfield, near Romsey in Hampshire (Lane Fox, around £320,000) is more eclectic.

By 1854 – the date of the Old Parsonage at Cranbourne in Windsor Forest – the style had changed to Gothic although rectories still had plenty of room. Queen Victoria and Prince Albert subscribed to building both it and the church, and Benjamin Ferrey was the architect. With six loose boxes and three paddocks (making 7.5 acres in all), and near Ascot, it is being offered by Jackson-Stops in London for around £565,000.

In Kent, Mountfield House at Staplestreet, near Canterbury, is not actually an old rectory, although it might easily be. Gothic, and also from 1854, it has the right dimensions and was the home of a Methodist hymn-writer, Benjamin Gough. Strutt & Parker in Canterbury is selling it with a guide price of £350,000.

The same firm's office at Moreton-in-Marsh, Gloucestershire, has (with Seccombes) the double bow-fronted old rectory at Shipston-on-Stour in Warwickshire; offers over £240,000 are sought for this handsome Regency building.

Savills in Banbury is selling two Georgian examples near the M40 in Northamptonshire. Offers of around £385,000 are sought for a stone-built rectory at Aynho, next to a wonderful 18th century box-pewed church, while another constructed of brick at Aston le Walls is on sale for around £10,000 less (with Jackson-Stops in Northampton).

More unusual is the Dower House in Gayton, near the M1, which the same duo is selling for around £300,000. It is a Victorian Gothic extravaganza built for a headmaster of Harrow school and featuring a steeply-pitched, tiled turret. It would not have been out of place among the school's own outstanding Victorian buildings. Sir John Betjeman would have loved it.

In the north, Jackson-Stops has three distinctive examples to sell. One, in pink stucco at Ulverston, Cumbria, has Morecambe Bay lapping below the front lawn (from the Chester office for around £550,000). From the York office, there is a Tudor-Stuart house in brick at Thorpe Bassett (around £230,000), while the other, also in brick and dating from 1885, is at Thorpe Thewles, near Darlington (around £285,000).

East Anglia takes the honours for the greatest range of old rectories. One at Snetterton, Norfolk, is said to have a ghost – a kindly old woman (Jackson-Stops in Newmarket, around £235,000).

Mullucks Wells offers an unusually imposing Victorian house at Abbess Roding, near Harlow (Essex) and the M11, for around £485,000; while Bedford has another fine example at Docking, north Norfolk, for around £325,000. John D. Wood is selling a rectory in Burnham-on-Crouch, Essex, for around £340,000 – ideal for yachtsmen.

Bidwells has several; including two splendid 18th century houses near Holt, Norfolk, from the Norwich office: Foulsham in mellow brick for around £345,000, and Baconsthorpe for around £xxx. The firm's Ipswich office offers the old rectory at Thornham Parva, Suffolk (around £170,000). Although built as late as 1952, it does not lack for spaciousness.

■ *Further information from: Bedford, Bury St Edmunds (0284-769 999); Bidwells, Ipswich (0473-611 644) and Norwich (0603-763 939); Cluttons, Wells (0749-678 012); Jackson-Stops, Chester (0244-328 361), London (071-499 6291), Midhurst, West Sussex (0730-812 357), Newmarket (0638-662 231), Northampton (0604-32 991) and York (0904-625 321); King & Chasemore, Pulborough, West Sussex (0798-872 081); Lane Fox, Winchester (0963-869 999); Mullucks Wells, Bishops Stortford (0279-755 400); Savills, Banbury (0295-263 535); Strutt & Parker, Canterbury (0227-451 123) and Moreton-in-Marsh (0608-50 502); John D. Wood, London (071-493 4106).*

TRAVEL FOCUS – GOLF

On course for the greening of the world

John Hopkins looks at exotic sites for serious golfing holidays

WHEN Robert Louis Stevenson wrote that "to travel hopefully is a better thing than to arrive and the true success is to labour," he might not have had in mind those caddies who recently made a circuitous and eventful journey to a professional golf tournament in north Africa.

Their journey started in Scotland on the Saturday before the Thursday on which the tournament started. They drove south to Dover to pick up the cross-Channel ferry before heading to Gibraltar and crossing by ferry to north Africa. So far, so good.

Then their troubles began. Alleged visa problems meant they had to bribe Moroccan Customs officials on arrival and pay out more bribes – ranging from money to cigarettes and candy bars – at every police stop between Rabat and Casablanca. They arrived in Agadir weary, wiser and poorer.

Caddies are reputed to *like* such experiences. For the rest of us, though – those who travel the world in search of a decent golfing break, be it 48 hours or 14 days – life is usually easier. Book your holiday, allow two hours to clear Customs, have a few drinks and buy an armful of golf mags. In due course you are, with luck, re-united with your clubs in a sunny place.

The expansion in air travel and the growing popularity of the game have combined to make it possible to go almost anywhere, anytime, to play. According to Tony Philo, general manager of Longshot Golf Holidays*, more and more people are doing just that – 60 per cent more than five years ago. In three months, some enthusiasts will fly to Reykjavik to play in the Iceland Open on the year's longest day, when darkness falls for all of half an hour. But if that seems extreme, where else might you go?

Remember, first, that golfing holidays are not holidays with golf: they are holidays *for* golf – serious affairs in which two rounds a day are tha norm. As for places, you could take a couple of nights at Queenwood in the grounds of Bowood House, the Earl of Shelburne's home in Wiltshire. You would be looked after by a butler and fed by your own cook. Cheaper would be a stay at Andrew and Mary Flint's Boscundle Manor hotel near St Austell, Cornwall, where guests have a practice area with two greens, several teeing positions, a lake over which to hit and a golf net. If you travel by helicopter, there is a landing site.

A step or two up come hotels like the Agadoe Heights in Killarney, Ireland, or the Butler Arms in Waterville where, within 20 miles, you will find some of the best courses in Co Kerry – which means some of the best in the world. But the traditional destinations are still those outside Britain: Portugal's Algarve coast plus Spain, France and Florida.

The good news from Spain is that green fees have tumbled in recent years. And, these days, the well-informed visitor taking a golf holiday on the Iberian peninsula books in at a hotel that offers the game as an inclusive facility and not an available extra.

Stay at the Quinta do Lago hotel on the Algarve, for instance, and you can play at Quinta do Lago, Val de Lobo, Vilasol, Vilamoura and – the newest of all – Pinheiros Altos. At the Dona Filipa and the Penina, two old favourites, green fees are included in the price. This not only saves money; it saves organisation, as well.

Madeira, which has been popular with discerning Britons since the days when access was only by cruise ship, is making a comeback. The first 18 holes of the Campo de Golfe were opened recently and the Madeira Open was played over them in January. Another nine are nearly complete and a further 18 holes will open by September. And Madeira is worth considering for a golf holiday because of the advantages of its climate, which is rarely colder than 63°F or hotter than 75°F – plus the sybaritic comforts of Reid's Hotel.

The new golfing destinations are places like the Far East, east Africa – where the Windsor Golf and Country Club in Nairobi is making a name for itself – Zambia, South Africa and, increasingly, exotic places like Dubai and the West Indies, one of the few destinations where sunshine is practically guaranteed.

"Golf," said author A.A. Milne (of *Winnie the Pooh* fame), "is the best game in the world at which to be bad." A fat lot he knew. It is the one game in the world at which *no one* wants to be bad. Everyone wants to be able to hit the ball 300 yards off the tee. As a result, hotels are starting to realise that if they organise clinics, then guests can play and improve their game as well. At Sandy Lane in Barbados next week, for example, an American professional will conduct a clinic. If the venture is a success, there will be another in the autumn.

"One trend among people taking golf holidays that has become apparent recently is that clients expect more quality and better service from us," says Philo. "They want more flexibility in departure and return dates, and in tee-off times.

"They want to leave on any day of the week and stay for any length of time. The days when you could travel to Portugal only on a Thursday and return only on a Thursday are gone. These days, everything must go without a hitch – otherwise, they want to know why."

And so they do. Golfers spending anything up to £3,000 a person per week have a right to expect to be looked after. They are, after all, searching for a new golfing destination that offers a better course than any other, or a less stressful means of getting there, or a more soothing atmosphere once they have arrived. It is a never-ending quest.

**Longshot Golf, Meon House, College Street, Petersfield, Hampshire GU32 3JN. Tel. 0730-268 621.*

TRAVEL FOCUS – GOLFING HOLIDAYS

An oasis for serious sportsmen

The greened-over desert is waiting . . . for John Hopkins and his five-iron

IT WAS nearly 5.30pm one day last month. As we walked up the 18th fairway the sun slid towards the horizon. The temperature was just over 70°F and a brisk wind was blowing in over the lake, slapping my face like a slightly damp warm flannel. I was thirsty and hungry and looking forward to a pot of tea in the clubhouse.

Where was I? Florida? No. Spain or Portugal? No. I was concluding a round at the Emirates golf course in Dubai with Andrew Millar, the Scot who is the club's executive director. "One big difference between playing golf here and in Spain and Portugal is that we have no housing on our course," said Millar later as we drank our tea in the spike bar of the clubhouse. "Down here you get 11½ hours of playing time each day at an average temperature of 70°F-75°F. We get three days of rain each year. In fact, this is probably the sunniest golf club in the world." He beamed as he said this, knowing it was a sweeping statement.

Dubai may seem to be an exotic location for a golfing break but that has not stopped them from building two championship standard courses, or from planning a third, or from generally making a determined bid to be considered a serious venue for a golfing break – all this in four years. Oil is Dubai's main source of income at present but stocks will run out in 20 years and tourism, of which golf is an important ingredient, is being developed as fast as possible.

Dubai is a bustling, busy place. It has a population of just over 600,000, up from 420,000 seven years ago. Wherever you look new hotels are being built and existing ones being enlarged. Emirates Airline, which was founded less than a decade ago, now has nearly 20 flights a week from Britain to Dubai.

On one such six-hour flight recently I thought about golf in the Gulf. I had read that the sand course at the Dubai Country Club was one of the oldest in the area and as the aircraft sped eastwards I wondered what it would be like to hit a long iron to an oil-based green, or, as they are called down there, a brown. Little did I know at that stage that much of Dubai was no more than 10 years old – younger than my golf clubs.

I went first to the Dubai Creek course, which is about as upmarket a pay-as-you-play course as you could find. It cost £50m, much of which went on a lavish 50-metre high clubhouse shaped like the sails of a dhow.

The Creek course, built on 180 acres of once-barren land, is five minutes' drive from the airport and no further from the centre of town.

It was designed by Karl Litten, the well-known American, and opened in February. It is the second grass course in Dubai and thus a cousin of the Emirates course where the Desert Classic has been held these past three years. The Creek is a resort course, aimed at itinerant businessmen who want a game of golf and/or a course of lessons. The head professional is Peter Downie, a Scot, and he and his six-strong team of teaching professionals will work most of the day and some of the night as well.

Floodlit facilities include a nine-hole par-three course, three practice holes, (a par-three and two par-fours) and a driving range for up to 45 golfers. I played the front nine holes, had my swing videoed from behind, in front and above in Downie's indoor teaching school, and left the club at about 6.30pm. Dusk was gathering but that was no problem. The floodlights were turned on and the bays on the driving range would remain full for another three or four hours. It is hard to imagine better coaching and practice facilities anywhere in the world and it was easy to understand why Downie was anxious to try and attract teams out to the Creek course to practice. "I want to make this a centre of excellence for teaching and practising," he said.

The next day I played the Emirates course with Millar. Of the two grass courses it is the tougher and, to my way of thinking, the more pleasing to the eye with its imaginative use of grasses and scrub. It has three or four outstanding holes. By the time Millar and I reached the 18th we had barely been out three hours. Golfers know their etiquette in the Gulf. In any case, marshals roam the course to winkle out slow-coaches.

Not that Millar needed anyone to hurry him up. A Scot who was once an outstanding water-polo player and international swimmer, he is one of the fastest players I have ever come across. He was out of the cart, had hit his club in his hand and had hit the ball (no practice swing) and was back in the cart and bowling merrily down the fairway long before his ball had come to a halt – and sometimes before it had touched the ground.

Before I left the Emirates club, Millar urged me to go and look at the Dubai Country Club. "It is part of Dubai's golfing heritage," he said. "You must not leave without seeing it." So the next morning I took a taxi out to the club, 15 minutes from the centre of town. A sign at the entrance said Darjeeling Cricket Club. The taxi paused briefly and then continued up to the low-slung buildings of the country club.

The 14th Dubai Ladies Open was being played that day and competitors had come from Germany, Zimbabwe, Oman, India and Pakistan, as well as other countries. I stood by the putting green, shut my eyes and realised I could have been at Royal Mid-Surrey or The Berkshire on a summer's morning. Birds sang overhead. There was a regular clunk and click from the practice tee where competitors were loosening up.

English voices were coming from all directions. "Oh, I say," exclaimed one. "I just chipped in. Bet I can't do that in the competition." Each competitor carried a ½-inch thick, 12in-diameter patch of Astroturf, as if it was a prayer mat. This was to be used on the tees and from the fairways. A ball ending in the rough had to be played as it lay. Each brown, I noticed, consisted of a perfectly raked circular surface. Players were expected to rake the brown after holing out. The browns looked hard and it was difficult to get any backspin.

I sought refuge from the heat in the office of Dave Greedy, a slim Welshman who is the manager of the country club. I wanted to talk about golf; he was anxious to know about the Welsh rugby team that had just unexpectedly beaten England. We compromised. He talked rugby and I talked golf until a taxi came to collect me and return me to my hotel.

They do things properly down in Dubai. Golf is only the half of it. Safaris in four-wheel drive vehicles into the desert, hot air balloon rides, horse and camel racing, rugby, squash and tennis: all these are available. But golf was what I was most interested in. My four-day visit convinced me that Dubai's courses equal any in the world; all they need is better marketing.

■ John Hopkins flew c/o Emirates Airline and stayed at the Hyatt Regency Hotel.

Chip off the old (Doric) block

CAESAREA is the only golf club in the world where Roman relics and ancient obelisks are deemed an integral part of the course. Whereas other golf courses have deep gorse, heather and lakes to gobble up your shots, Israel's first – and, so far, only – golf course has strategically placed and immovable Doric columns. Get behind one of them and you will have to chip sideways.

There is no sidestepping history in Israel. Two miles from the Mediterranean, on the coast road between Tel Aviv and Haifa, Caesarea is an unusual and relaxing starting point if you intend driving into the 2nd century. Self-drive holidays like the ones excellently organised by Twicker's World, which will organise all your accommodation en route, are becoming increasingly popular.

When Palestine was under British rule there was a Sodom and Gomorrah golf club near the Dead Sea. Opened in 1961, Caesarea was built by an Englishman, Fred Smith of Carter Seeds, and funded by the Rothschild family.

The course is a demanding par 72, and clubs are available for hire. The best places to stay are at the Dan Caesarea or, nearer to Tel Avi, the luxurious Daniel Tower hotel in Herzylea.

Two other golf courses are planned in Ashkelon and Eilat, both to be designed by Gary Player.

Israel is perhaps the only country where you are actively encouraged to pick-up hitchhikers with guns. Israeli soldiers thumb lifts everywhere. This can be useful, for you have to take advice about where to go in Israel and how to get there.

The standard of driving is what you might expect: it shows great faith. Israeli lorry drivers, especially, are not frightened by death. Drive in the Holy Land, therefore, like you would in Naples or Marseilles.

It is not as bad as Portugal: people actually drive with their eyes open. Avis provides a Fiat Uno for $37 a day (unlimited mileage). Truck stops offering basic meals prive the best-value lunches.

Take into account the three sabbaths – Friday (Moslem), Saturday (Jewish) and Sunday (Christian) when planning your itinerary.

The Kibbutz Hotel chain of Israel offers excellent four-star B & B and farmhouse accommodation all over Israel for around $45 per single room per night.

In turn, the Kibbutz hotel at Nof Ginosar, on the edge of the Sea of Galilee, offers a memorable breakfast buffet. The Galilee region in the north of Israel is the perfect place to savour spiritual tranquillity and recover from the tackiness of some of the country's other sacred sites.

People who visit Israel – more than 1m – are divided into those who experience an overwhelming sense of religious significance and those who experience overwhelming disappointment.

Naturally, you have to visit the over-commercialised and squalid little town of Bethlehem. Unfortunately it is not a particularly moving experience when you share the little crypt in the Basilica of the Nativity with about 300 other people, and there is not much sanctity on offer when you have to endure a fairly explicit body search trying to enter the town.

■ Twickers World is at 22 Church Street, Twickenham, Middlesex TW1 3NW. Tel: 081-892-7606.

Kevin Pilley

India at just £1 a round

THE BEST place to get away from the cocooned world of corporate travel and the 24-hour rush hour that is India is the golf course.

There are more than 150 courses in India, ranging from marvellous city courses like Bombay Presidency and Royal Calcutta to services courses and hill stations such as Ooty, for which the word "undulating" is an extreme understatement. In Gulmarg, in Kashmir, India has the highest golf course in the world (2,700 metres).

In my experience Indian golf courses are the cheapest, least busy and by the far the friendliest in the world. On average a round will cost £1, a caddie 40p for 18 holes, an uggawallah, or ballspotter, 20p, and water-bearer 15p. You don't even have to take your clubs. A set of Pings can be hired for 30p a round. Equipment is cheap to buy, too. A pair of shoes costs £6 in a pro's shop.

There is always someone in the clubhouse afterwards eager to introduce you to Officer's Choice beer, Indian rum or the club's famed chickpea curry. Letters of introduction are not needed. All imperialists are welcome. Indians want the world to know about their golf courses, and the world deserves to know.

Golf was played in India 55 years before any major course established itself in continental Europe or the US. Founded in 1829, and formerly called the Dum Dum club, Calcutta is the oldest golf club in the world outside Britain. It is India's only

Kevin Pilley finds Indian golf courses the cheapest, least busy and friendliest in the world

par-73 course and, at 7,100 yards, its longest and most difficult. It is just down the road from the Oberoi Hotel where you can spoil yourself with excellent service and cuisine.

Like Calcutta, the Tea Lawn behind the 18th green at Delhi Golf Club is out of bounds. And it has other idiosyncratic hazards. The 3,000 peacocks that live on the course, and the tombs of the favourite concubines of Lodhi rulers, are deemed to be integral features of the course and immovable obstructions.

Only one British company specialises in golf holidays to India. Dorset-based Indian Encounters offers 13-17-day golf safaris taking in Delhi, Calcutta, Bombay and Bangalore. The Taj Mahal and Goa are also on the itinerary. Agra has a nine-hole course. Golf is well organised in India and the courses are good. January and February are the best months to play. You have to cope with the occasional suspicious rustle from the rough, and holes called The Elephant Pit and Hydrophobia, but is a great way to see the country.

Most of the bigger city clubs have their own inexpensive and comfortable accommodation. Bombay Presidency isn't far from the Searock Sheraton. The Windsor Manor at Bangalore overlooks the course and is only a 10p rickshaw ride away.

■ Further information: contact Vijay Thankur of India Vision Tours and Travel in Delhi, fax: 91-11-5702929; or Indian Encounters of Creech Barrow, East Creech, Wareham, Dorset BH20 5API, UK. In London, plenty of hotel information is available from Leading Hotels of the World, fax: (071)-353-1904.

GOLFING WORLDWIDE

TRAVEL FOCUS – GOLF

In Spain's golden rectangle

A new course looks set to perfect an already wonderful area for golfers, reports **John Hopkins**

WE MET just after 8.00am on a windy March morning on the first tee at San Roque golf club in southern Spain. A voice that was definitely not English said "Good morning," and I turned to see a tall, sturdy man with dark hair who was wearing red velvet trousers, white golf shoes and had slung his bag of clubs over his shoulder. He had a slow, shy smile.

Jose-Luis Quiros was the caddie-master. Yes, he had played golf for many years; no, he had never had a lesson. He just watched good players and copied what they did – and did so with good effect, for he had a firm, repetitive swing and looked to be a genuine five-handicap player.

As we played we talked, as golfers do, of the course, of our best rounds, our favourite holes. He said he had some MacGregor clubs that were 50 years old. I pulled out a nine-iron I carry in my bag, a Fred Daly model made by John Letters that I bought more than 30 years ago. He admired the face and classic lines of the clubhead and waved his hands, inscribing the shape of the club face in the air.

On the 7th, a short hole uphill, I had the honour and hit a one-iron. It felt good the moment I made contact. I was sure it would be near the putting surface, if not on it. Jose-Luis stepped forward to play his tee shot, a quizzical look on his face.

"You no hit it well," he said.

"Pardon?" I said.

"You no hit it well."

"Pardon?"

We were entering the realms of Basil Fawlty and Manuel and I felt like saying "Que?" in a sarcastic voice. I had just hit the shot of the round, a one-iron that did not just fly off the clubface but screamed away as if it was a fighter leaving an aircraft carrier.

I thought he was taking the Mickey. Then the peseta dropped. What he meant was that I had not hit it full out, that I had saved some juice lest I hit the ball through the green. He was right. Phew! The temperature dropped. I nodded, sagely.

We played on and the sun came out to warm our stiff, middle-aged back muscles. At the 18th I nearly chipped in for a birdie three and Jose-Luis racked up another par. We shook hands and shared a coffee in the clubhouse. Then he returned to his duties as caddie-master and I to my room.

The San Roque Suites hotel where I was staying is less than two years old and already a prominent landmark on the road from La Linea to Marbella. As you drive east it is high up on the left, the inland side of the road, bordering the vast acreage of the Sotogrande estate.

In my view it has two things to commend it. It is very comfortable and well managed by Alex Medina, who formerly worked in hotels in England for nearly 20 years. Its name comes from the fact that it has 50 suites and 50 double rooms, and when I say suite I mean suite. Mine, for example, comprised a kitchen, eating area, sitting room, double bedroom, bathroom with heated marble floor and a separate lavatory. I could swing a golf club, never mind a cat, in any of the rooms.

Still, for golfers, a greater attraction may be its locality at the western, less populous end of the Costa del Sol golfing belt, an area which claims to have 325 days of sunshine annually. Within five minutes' drive of its main entrance are two superb golf courses to the east – Valderrama and Sotogrande Old – and Alcaidesa to the west, which could be spectacular once alterations are completed. When you add San Roque's own David Thomas-designed course, the appeal of the hotel as a base for a winter golfing break becomes obvious.

You do not have to take my word for it. In the second week of March, every room was occupied, many with golfers staying there as part of packages organised by Longshot, Eurogolf, 3-D and British Airways.

There is little that can be added about Valdarrama, perhaps the best course in Europe. Work progresses daily in pursuit of making it a masterpiece, much of it with the aim of staging the 1997 Ryder Cup. Whether it achieves this or not, it is undoubtedly one of the best maintained courses in the world. *The New Yorker* used to offer readers a prize if they spotted a grammatical error in its pages. The attention to detail at Valderrama is such that they could offer a free drink to anyone finding a weed on its greens and probably its fairways as well.

Sotogrande Old, the stately old course that Robert Trent Jones laid out 30 years ago, is on the seaward side of the Gibraltar-to-Marbella road. Its reputation among courses down on the coast is rather like that of the Queen Mother among Britain's royal family: it is much loved and admired even if it is slightly past the first flush of youth. The new name on this part of the coast is Alcaidesa, which is 15 minutes' drive from Gibraltar.

To measure its proximity to San Roque, I used the mileometer of my car and can report that from Suite 23S at the hotel to the temporary clubhouse at Alcaidesa is no more than 3½km, two of which comprise the drive from the main road down to the temporary clubhouse. It is a majestic drive, a zig-zagging, tumbling road that took me to the edge of the Mediterranean and on the morning of my visit to the edge of a swathe of sunlight that lay still and shimmering on the surface of the sea.

I was awed by the majesty of what I saw of the course. A frisky wind galloped in off the sea causing the gorse bushes to sway and their yellow blooms to shake uncontrollably. It is one of the most beautiful and most difficult courses I had ever seen.

But the fairways were narrow in places, the carries long, the gorse lapped the edges of some fairways and some of the greens were too severely tilted. No wonder that when some of the gorse was cut back they unearthed tens of thousands of golf balls. On a windy day, and more days than not are windy by the sea, Alcaidesa could be almost unplayable.

Even so, 1,000 rounds each month were played over its 6,500 yards from October last year to February. Work is currently going on to defenestrate the course, altering 14 greens, moving tees, hacking away the gorse, making it less penal.

I climbed into my car and drove slowly back up to the main road, chastened at the amount of alteration work necessary to adapt what is only a two-year-old golf course. It is too early to include Alcaidesa in the golden triangle formed by San Roque, Valderrama and Sotogrande, a triangle that is the most interesting current aspect of golf on the Costa del Sol.

Besides, to include Alcaidesa would alter its geometrical shape from a triangle to a rectangle. But it was something to look forward to – the day when there would be four outstanding golf courses no more than two miles from one another in a part of the world that, to paraphrase Rupert Brooke, seems to be "forever England."

Florida's fun, in rain or sun

THE RAIN smashed against the windscreen. It was hard to see beyond the end of the bonnet, so I stopped searching for the golf club and returned to my hotel. You get used to that in Florida in late summer. Torrential rain falls almost every afternoon and is followed within minutes by the sun. Soon the ground is steaming.

I was in the north-east, the Palm Coast-Daytona Beach area. The Palm Coast, two hours' drive north of Orlando, is a parcel of land the size of greater London where ITT is building a community of 20,000 homes. It has tennis, riding, biking, any water-borne sport and five golf courses. I was there for golf.

I had mentioned to David Leadbetter, the well-known coach, that I was going golfing in north-east Florida and he urged me to play Hammock Dunes. The name had a ring to it. "It's great," said Leadbetter, so to play Hammock Dunes became a primary objective.

I started, however, at Cypress Knoll, 25 minutes' drive from the Sheraton (Palm Coast) Resort where I was staying. Cypress Knoll, carved out of swampland, was designed by Gary Player. It has such narrow fairways that I nearly went an entire round without using my driver, something I have never done in 40 years of playing golf. My frustration was offset by the beauty of the surroundings. A heron swooped down in front of one tee. A swallow-tail butterfly fluttered past another. There were water moccasins everywhere and, apparently, an 8ft diamond-back rattlesnake.

Next morning I left the Palm Coast and drove south to Daytona Beach. Indigo Lakes is semi-private, which means it is open to anyone for a few thousand dollars in membership. Accuracy was demanded but not as much as at Cypress Knoll. The fairways are generous and some of the greens enormous.

Then it was the turn of Cypress Head, another semi-private course, designed by Arthur Hills in Port Orange, just south of Daytona. Because the water table is so close to the surface in Florida, any earth that is moved to dig a bunker or sculpt a mound reveals water – the dominant feature on most of Florida's courses.

Not so at Cypress Head. It has holes like those at some of Britain's famous inland courses. Thickets containing oaks, pampas grass, willows, thistle and wax myrtle had to be skirted or driven over and although there was water on many holes, it was neither intrusive nor overpowering. I could play Cypress Head again and again.

Good news awaited me at my motel. I had a starting time at Hammock Dunes the next morning. I celebrated with a swim in the Atlantic. Although it was late afternoon the sand on Daytona's 24-mile-long beach was hot underfoot.

Hammock Dunes is an ultra-private new club on the Palm Coast. It had only 112 members last August, one per acre. What sticks in my mind is not the excellent condition of the course or the number of challenging holes. Instead, I was struck by the attention to detail on the practice ground. I went to limber up and found a pile of balls laid in such a way that must have taken several minutes to do. It was the same at all of the 15 positions on the practice ground.

Nor is it all golf. Within 60 miles are Disneyland, the Epcot space centre and Universal Studios. This somewhat unsung part of Florida represents a realistic alternative to Spain and Portugal for a spring or autumn golfing holiday.

■ John Hopkins was a guest of British Airways Holidays and Destination Daytona. One-week holidays including golf at 10 courses in the Palm Coast and Daytona Beach area start at £589 (flight and hotel) plus £89 for the golf. British Airways Holidays: Pacific House, Hazelwick Avenue, Three Bridges, Crawley, West Sussex RH10 1NP, tel: 0293-611311; Destination Daytona: 121 Gloucester Place, London W1H 3PJ, tel: 071-935-7756.

John Hopkins

The buzz of Madeira

IT MUST be off-putting when standing over a nasty 5ft downhill putt for par on a fast-paced green to hear a yelp and look up to see a Yorkshire terrier ascending skywards in the talons of a large bird of prey.

But this happened to a lady member of the Madeira Golf and Country Club at Santo da Serra, the first golf course on the Portuguese-owned island, which opened in 1991. Chipping on to the green, she tied her pet to a tree and the bird swooped.

Buzzards have been on Madeira for centuries, but golfers are a fairly new species. Madeira is 350 miles south-west of Lisbon and three hours flying time from London. Golf began there in 1947 when expatriates built a nine-hole course to work off the Malmsey and sweet potatoes and work their way up to their post-round *poncha* (a concoction of grated lemon, honey sugar cane and white spirit) or *nikita* (beer, wine and ice cream).

For an island supposedly discovered by a shipwrecked Englishman, it was inevitable that the British golfing influence would follow. The nine-hole course of 1947 has now become the yellow Serras course and final loop at the 27-hole, 6,100-metre Santo da Serra club, chosen to host the inaugural Madeiran Open and first event of the 1993 Volvo PGA European Tour.

"We offer year-round golf, not just winter sun," says marketing director Tony Barton. It is a typical resort course: not too easy, not too hard. And it is very pretty. It is like Woburn-by-the-Sea.

Although Madeira boasts a continuous English summer, V-necks are required if you are playing early in the morning at Santo da Serra, because it is 2,500m above sea level and can be pretty nippy. Driving skills are another recommendation.

Level ground is not easy to find on Madeira, and Santo da Serra, designed by Robert Trent Jones, is a challenge to high and low handicappers alike, especially the 476m par-five 3rd which calls for a drive over part of the Machico Valley.

Opening soon, adjoining the course, will be a 145-room five-star hotel and golf village with 30 luxury villas which can be built according to the owner's design. There will also be a bowls green, a driving range, swimming pool, tennis and squash courts, stables and equestrian centre – even a BMX track.

The Woburn-by-the-Sea feel will be reinforced when Madeira's second course opens at Palheiro in September, created by Cabell Robinson around the sub-tropical gardens. Palheiro overlooks Funchal Bay. Reid's Hotel and its lift to the beach can be seen from the 18th green.

■ For further information: contact Anthony K Barton, c/o Campo de Golfe da Madeira, Planal, Santo da Serra, 9100 Santa Cruz, tel: 091-552345/6, fax: 091-552367; Cadogan Travel (UK tel: 0703-332551) or Longshot Holidays (tel: 081-551-4494). GB Airways operate twice-weekly flights from Gatwick, reservations: 081-897-4000.

Kevin Pilley

TRAVEL

A little country's clockwork charm

How Switzerland broke Nicholas Woodsworth's resistance

HEATHROW: 10am on a drizzly autumn day. I am not a nervous flyer, but as I strap myself into my seat on Swissair Flight 831 I feel a growing apprehension. What bothers me is not the flight but what lies at the end of it – Switzerland.

For me the allure of travel is the allure of the untowards. I like hopping on planes because it is the easiest way I have found of trading the known and repetitious for the surprises of the one-off. I enjoy travel because it never turns out the way I think it will.

Hence my hesitation about Switzerland. For all I have heard of it, this is the land where the untowards never happens. Nor anything that is unorthodox, extreme, risky or likely to inflame the passions. The essence of Swissness, it is sometimes hinted, is blandness.

Who, after all, I ask myself, invented muesli? The Swiss. Who invented orthopaedic shoes, Calvinism, fondue parties? Who plays the dreadful alphorns? Who are so precise, punctual and reliable that they have become the world's timekeepers? Who are so meticulously diligent that they are the world's bankers? Switzerland, I fear, might turn out to be a very dull place.

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EARLY evening: the summit of Mont Vully. I have climbed my first Swiss mountain. Granted, it is smooth and grassy and only 653 meters high. But it has given me the elevation I need to see things clearly.

I have changed my mind, turned 180 degrees. Switzerland, against all expectations, is a wholly untowards kind of place. The stories are true – this is a country of benign orderliness, efficiency, punctuality, conformity and hygiene. But it is precisely this stolid respectability that makes Switzerland so remarkable.

Perched flat on my stomach over a serene landscape, I reflect on the world in its present limping state. In a world where everywhere the nasty and unexpected are now the norm, a land of no surprises is surprising indeed. In its very predicability, Switzerland has become an exotic and intriguing place.

Tiny Switzerland's distinctive morals, manners and institutions are not without reason. It is artificially composed of disparate groups sharing no common language, religion or ethnic background. Its 800-year history is a litany of uncertainty, of bullying and invasion by large and aggressive neighbours. It possesses no natural resources and depends for its livelihood on markets over which it has no control. What has shaped it is an over-riding need for well-being and security.

Nowhere is Switzerland's profound conservatism more striking than in the country's landscapes. Meticulously arranged and managed even in the wildest of areas, the land is the object of an aesthetic sense of order reflecting the nation's anxieties – the making of a safe, sure world. In transforming the threatening into the reassuring, the Swiss have created an astonishing beauty. For the visitor, Switzerland is, above all, a visual adventure.

Little Mont Vully has nothing to do with the Switzerland of rearing peaks and gingerbread chalets and high alpine pastures. It sits between Lake Neuchatel and the modest lake of Murtensee in an area more reknowned for its market gardens and vegetables than anything else. But it is gorgeous.

Geometrically precise rows of cabbages and corn are tended no less royally than the gardens of Versailles. To protect them from birds, the vineyards that slope down to the Murtensee spend the summer covered in what look like outsize yellow hair-nets. From barns to bakeries, buildings spill over with the countless red blooms of flower-box geraniums.

Over on the other side of the Murtensee, medieval Morat, a toy-town of red spires and watch-towers, gilded town clocks and decorated fountains, floats on an evening mist building over the lake. Morat's streets, restored to their original finery, are immaculate.

Walt Disney himself could not have done a better job. Everything depends on artifice and attention to detail, and, strangely enough, it all feels natural and right. In this highest of high-tech countries, not even the cows wandering over Mont Vully with ridiculous, old-fashioned bells around their necks seem in the least embarrassed.

□ □ □

Lake Lucerne: on board the ferry *Unterwalden*. I have spent years watching swans and ducks in London's parks, and never known how they fed or moved under that muddy water. Now I do. In the crystal-clear waters of Lake Lucerne, I see swans plunge their necks downwards and sweep the bottom with their bills, watch flocks of ducks use their wings to swim along under the surface as if in flight. It is an astonishing sight, and this one of the loveliest lakes in the world.

I am usually reluctant to do corny tourist things like taking boat tours and riding miniature trains to mountain viewpoints. But Switzerland is fast breaking my resistance – such pursuits here are not so much corny as heart-stopping.

Like the swans bobbing along beside it, the 90-year-old side-paddle steamer *Unterwalden* is all elegance above the water and furious effort below. Through an open-topped engine-room I watch polished pistons rise and fall and paddle-wheels thrash their way through limpid water. They take me past flower-laden lakeside villages basking in the autumn sun, châteaux perched on forested promontories, mountains soaring skyward from the lake's edge.

At the little town of Vitznau I, too, soar skywards, in a cogwheel train that climbs impossibly steep grades. I sit facing backwards. In no time at all it is as if I am looking at the lake through the wrong end of a telescope. I travel nearly 2,000m to the Rigi Kulm, a mountain summit from which the entire country spreads out, tiny and unreal.

Rigi has been famous for a long time. Mark Twain climbed it last century to see the sun rise over Switzerland. He got lost in the dark on the final ascent and waited anxiously until mid-morning before he realised that the glorious event had taken place on the other side of the mountain. Twain swore forever more that in Switzerland the sun rises in the west.

□ □ □

THE Hofbahnstrasse, Zurich. Not all Switzerland is a temple to nature. There are about 1,700 Swiss banking corporations, and most of them seem to have branches along the Hofbahnstrasse. These temples to money lend heavy, grey walls, lofty ceilings and a sense of dignified purpose to a street of busy trams and hurrying people. I am disappointed in the gnomes of Zurich. Who invented the phrase? In my mind I pictured them as strange, cunning creatures with identifiable signs – long ears or curling toes. They are like men in grey suits anywhere.

My room at the Neues Schloss Hotel is another kind of temple, a temple to technology. There are a hundred minor wonders such as its electric window blinds. But the crowning glory is the Closomat – a fully automatic, high-tech toilet. It is so complex that it comes with a book of instructions. Once it is mastered, however, one literally sits back and enjoys it: warm water jets and air driers do all the rest.

□ □ □

MORCOTE, on the Swiss-Italian border. Can this still be Switzerland? In a short drive over the St Gotthard pass I have driven from a Norwegian- to a Spanish-style climate. Goos are the pine trees and the steep-roofed chalets. In their place on the sub-tropical shores of Lake Lugano are palm trees and ornamental bamboos, Italianate houses in rich ochre, sienna and magenta, huge lunch-time dishes of polenta and risotto.

But I do not have to look at plants or houses or food to know that I am back on the edge of the real world. I only have to look at people and their behaviour. I have just seen a local driver reverse in the wrong direction down a one-way street. It is a sure sign that I am not far from the general disorder, confusion and non-conformity that makes up most of the planet.

Swiss life, so sane and predictable, ends up being the oddest life of all. But once again it has reaffirmed my faith in travel, which never turns out the way one think it will.

■ Nicholas Woodsworth travelled with Swissair (Tel: 071-734-6737), which has 11 flights daily from London to Switzerland. Standard economy fare: £340 return. Apex fares begin at £119. Information can be obtained from the Swiss Ceotre, Swiss Court, Leicester Square W1V 8EE. Tel: 071-734-1921.

The Swiss National Tourist Office at the Swiss Centre provides guides offering a wide range of accommodation. Its *Simple and Cosy* guide, for example, lists guest houses costing no more than a British B & B. It also has listings of apartment rentals by the week, Swiss farmhouse holidays and inexpensive resort holidays.

There are plenty of package tours available. For example, Swiss Travel Service (tel: 0920-463971), the leading specialist, is featuring 34 Swiss resorts in this year's brochure and spotlighting a oo-surcharge guarantee.

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MEDITERRANEAN HOLIDAYS

UK HOLIDAYS

YACHTS FOR SALE

FRANCE

FLIGHTS

SPECIAL INTEREST

AFRICA

VILLAS

SKIING

SPECIAL INTEREST

FRANCE

LONDON HOTELS

CRUISING

HOLIDAY LET

BAHAMAS

Our critics assess new biographies of two of this century's best-selling women authors

A Taj Mahal of a novel

BOOK-reviewers tend to be paid at a rate appropriate to the length of their reviews rather than that of the book they are reviewing. A few more novels like this one and we shall need some clause compensating us in the case of books that make demands "deemed to be beyond the normal course of duty".

Never can a variant of that old Hollywood formula "Boy meets girl. Boy gets girl. Boy loses girl. Boy gets girl" have been stretched to such inordinate lengths. Here the storyline is: boy (charmer, fellow-student, Moslem) meets girl (beautiful, English literature student, Hindu); gets girl in spite of maternal opposition; loses girl; while regains girl but loses girl finally to Suitable Boy (solid, reliable, all set for successful career in the shoe-manufacturing business, Hindu, right caste, but lacking charm or glamour).

Seth is the latest instance of an Indian writer, steeped in his own indigenous tradition, who has been through the mill of a British and American education, (Doon in India, then Tonbridge, Oxford, Stanford and Nanjing University, China). Such a writer tends at the outset to look to English and other European literatures for models and to say to himself: "Anything you can do, I can do . . . if not better then at least longer." Salman Rushdie, you may recall, took for his model Sterne's *Tristram Shandy* with far-reaching results.

The early model for Seth was *The Tales of Pushkin*. They provided the inspiration for *The Golden Gate* – a novel he wrote in verse about the inhabitants of California's silicon valley. It was published here in 1986 by Faber. Seth's witty stanzas wove a neatly plotted tale of a broken marriage, a homosexual affair and a ferociously possessive cat. The notion of writing such a story in a rigid metrical form must have seemed to be the greatest commercial folly. Only a publisher with its own *Cats* to fall back upon would have been prepared to under-write it. But Seth put himself on the literary map with this *tour de force* and it has by now sold a cool 150,000 copies.

The immediate models for *A Suitable Boy* are 19th century novels like *Madame Bovary* and *Anna Karenina*. Although everything is rooted in the growth of a love-affair, with the heroine occupying the centre of the stage, her forbidden passion is viewed in the context of the moral, cultural and political attitudes of a whole society. The city where she lives is the centre from which the reader beholds a social structure whose boundaries are those of the aristocracy at the top, the bourgeoisie in the middle and the peasantry at the bottom.

Seth's heroine, Lata, comes from a well-to-do Hindu family many of whose members hold important positions in newly independent India. She is a student at the university of Brahmpur – an imaginary place somewhat reminiscent of Patna and Brinkipore. It is few hours railway journey to Calcutta. The contrast between the life-style of the smart "permissive" Bengali society of her brother's wife's family with whom she stays and the restricted provincial life of her home near the campus where she meets the handsome unsuitable boy she falls in love with, is done with a precision of detail that would earn Seth full marks from his French and Russian masters. It is one of many such contrasts of ambience in the depiction of the four families whose members are singled out for close scrutiny. They are surrounded by this novel's hundred or more subsidiary characters, mainly Indian but also one or two British who have stayed on.

Tolstoy contrasted adulterous Anna with virtuous Kitty, and arrogant Vronsky with likeable Levin. Seth has several alternative heroines to Lata up his sleeve and he produces them one after the other as he develops the narrative along pairs of parallel lines. There is the music-loving courtesan whose scented drawing-room is so sensuously described; there is Sava, Lata's sister, a young, happily married woman about to give birth to her first child; there is cynical, delectable Meenakshi, her sister-in-law, nonchalantly deceiving her husband, a member of the Shady Ladies' Club; there is the Moslem wife of the idealistic Urdu teacher whom

A SUITABLE BOY
by Vikram Seth
Phoenix House £20, 1,349 pages

we hardly see since her creed prevents it, but whose fate is nonetheless every bit as poignant as Lata's.

A similar multiplication of themes occurs. Apart from its fictional virtues, the book may be read as a gloss on the violence in India today; much of it stems from the period the novel illuminates, the early 1950s when the problems inherited by the first all-Indian governments from the British were at their most acute. Then in the same depth there is the world of the campus, with its own ruthless political manoeuvering and an eccentrically distrait mathematical genius (lover-boy's papa) thrown in for good measure.

But away from academe and government, Seth seems just as at home in the world of agriculture and sweated farm labour, the abuses practised by the *zemindars* (revenue collectors) on behalf of the great landlords. Yet another dimension comes in the descriptions of religious fundamentalism in action, the ceremonies lasting several days and drawing vast, unruly crowds on the banks of the Ganges. And depicted in most detail of all is the world of shoe-manufacturing (Seth's father's occupation), with its domination at the top by *émigré* foreigners. It is used brilliantly as a metaphor for India's industrial problems as well as the Suitable Boy's. The SB also has a Hindu rival – a young poet, beginning to make a big name for himself, clearly a portrait of the author, but he drops out of the hunt (for no very satisfactory reason that I could see).

But I could easily fill the whole of this page merely describing the amazingly rich content of the novel. Yet it remains so readable because the prose is always direct and incisive. Does it all hold together? Yes, it does, amazingly enough – rather like a Taj Mahal made out of Lego. Some parts are detachable. One section has already been published as a self-contained long short story. The controlled energy of the writing carries one over the melodramatic clichés of plotting to which Seth resorts to sustain his narrative. All in all, it is an outstanding achievement for which he deserves the warmest congratulation.

Anthony Curtis

Mistress of Menabilly

DAPHNE du Maurier, who always valued her privacy, was virtually a recluse towards the end of her life. Instead of an autobiography, she wrote an account of her youth, ending with her marriage in 1932, which concentrated on her development as a writer. Margaret Forster's biography can be said to concentrate on the emotional crises behind that development: her relationship with her father, the famous actor-manager Sir Gerald du Maurier; her passionate friendship with a teacher at her Parisian finishing school; her pre-marital affair with Carol Reed; the highs and lows of her long marriage; the births of her three children; her "crush" on Ellen Doubleday, the wife of her American publisher; and a brief fling with Gertrude Lawrence.

In a working life spanning over 50 years, Daphne du Maurier published some 25 volumes of novels and stories and 10 works of non-fiction and biography. Her sales were quite phenomenal: even with wartime paper rationing, she commanded print runs of 50,000 and 100,000. Film versions of her early novels and later of her stories, *The Birds* and *Don't Look Now*, brought her name to a wider audience and boosted an already-considerable income.

To the young Daphne du Maurier, the idea of deliberately writing for a particular "market" would have been anathema. When writing *Jamaica Inn*, *Rebecca*, *Frenchman's Creek* and *My Cousin Rachel*, she was driven by the same "hidden prompter" (*vide* Saul Bellow) as weightier and more ambitious novelists. She was a natural, one of those who turn into a neurotic wreck if not writing and whose lives are therefore dominated by the need to fulfil this urge.

Given her highly-respectable old age (she was made a Dame of the British Empire in 1969), it is easy to forget that as a young woman Daphne du Maurier had a raffish reputation. Her father may have been a knight but he was still "a theatrical" and therefore not quite top-drawer. She herself recounts (but Forster does not) how she shocked the people of Fowey in the late 1920s by walking around the town not only hatless but in shorts. Her first lover, the young film director Carol Reed, the illegitimate son of Herbert Beerbohm Tree, would have made a good match. Instead, she married a handsome martinet who had already fought in the First World War and ended the Second as Major-General Sir Frederick Browning.

There have long been rumours about the unhappiness of this marriage, citing Browning's philandering and later his drinking. The biography reveals that sexual relations (known as "Cairo" in du Maurier code as opposed to lesbian ones, which were "Venice") were never resumed after the war – more from inertia and shyness than anything else. Sir Frederick's work as Royal Equerry kept him in London all week and his demeanour at Menabilly on weekends earned him the nickname Moper. Because of her writing – now their main source of income – and her love of the seclusion offered by her Cornish home, Lady Browning could seldom be tempted to London, so it is not surprising that things fell apart. But, with typical loyalty, she forgave him his peccadilloes and nursed him to the end.

DAPHNE DU MAURIER
by Margaret Forster
Chatto & Windus £17.99, 455 pages

LETTERS FROM MENABILLY
by Oriel Malet
Orion £18.99, 303 pages

Menabilly was the biggest folly in her life, a dark and dilapidated house which she acquired in 1943 on a two-year lease and into which she poured money – £30,000 on the roof alone – as if she owned it. She refers to it as "my rat-ridden ruin", and the myth of a Rebecca-like life of elegant luxury is shattered. She was oblivious to domestic chaos, never bothered with central heating, and when she finally moved to the dower house at Kilmarth in 1969 she was amazed by its warm, sunny rooms.

Ms Forster's revelation that Daphne enjoyed "Venice" with Gertrude Lawrence – if only during one care-free weekend in Florida – and fell in love with Ellen Doubleday, will not surprise those who have always thought of her as first and foremost a writer with a cavalier attitude to domestic duties and motherhood.

A far livelier, if less comprehensive, portrait of the writer can be found in *Letters from Menabilly*, written to her friend, the novelist Oriel Malet, who adds her own commentary (to be published in May). They are full of irritating Du Maurier slang and half-baked philosophy but there is nothing in the "official" biography to match these vivid and sometimes irreverent pictures of her curious existence at Menabilly and Kilmarth. "Do tell me," she asked Oriel Malet wistfully in her dotage, "did I write *Gone With The Wind*, or was it someone else?"

Margaret Forster is reluctant to take Daphne du Maurier seriously as a writer; if she has any opinions about the quality of the work, she keeps them to herself. I suspect that she is not a fan. She is certainly wary of making judgments and seems to consider that the fiction is adequately dealt with by old-fashioned psychological readings. Knowing that *Rebecca* was sparked off by Daphne's jealousy of her husband's previous fiancée does not help us to understand the novel's extraordinary and enduring appeal.

Not only has Margaret Forster produced a strangely muted portrait of a particularly colourful character, she makes no suggestions as to how and why the best of these books became and remain so popular. Daphne du Maurier's diction is alternately clumsy and wooden; she has no ear for dialogue, an erratic sense of history and a weakness for stereotypes. Yet, in her best work, the superb story-telling, her dramatic use of nature, her strong sense of place and her ability to evoke evil, put her in a Romantic tradition that goes back to the Brontës. It is surely the business of a major biography to address these contradictions and place the work of its subject in an appropriate cultural context.

Alannah Hopkin

Bring on Wimsey and Vane

THIS IS the centenary year of Dorothy Sayers' birth. To mark the occasion, eight of her Lord Peter Wimsey novels are being reissued in paperback simultaneously with publication of this new biography by the head of the Dorothy L. Sayers Society.

Sayers was born in Oxford but raised primarily in a remote vicarage in the fenland of East Anglia. She enjoyed what she insisted on calling an Edwardian childhood, solitary but happy, within an indulgent, civilised family. Everyone – from her parents, cousins and aunts to her governess and the gardener – was mobilised as dramatic foils for her starring roles.

Sayers went up to Somerville in 1912; Oxford was later to serve as fodder for one of her most accomplished stories, *Gaudy Night*, where Harriet Vane returns for a visit to her old college.

Except for the odd helltower captain who honours the accuracy of her Kent Treble Bob Majors in *The Nine Tailors*, Oxford itself remains ambivalent toward Sayers. Her wickedly observed (and reportedly all too accurate) portraits of contemporary Somerville personalities in *Gaudy Night* are echoed in her descriptions of "Spooner looking as mad as usual" and "Dr Dixey looking like a walrus" at *Encaenia* in 1913. But one may forgive Sayers a great deal for the words she borrowed from the degree ceremony to create that most elegant of all fictional marriage proposals: "*Placetne, magistra?*"

After graduating and a spell at teaching and reading manuscripts at Blackwell's, Sayers moved to London where she encountered a series of unsatisfactory men. One of them, John Cournos, was a Russian journalist and writer on the fringe of London's literary scene. Cournos ultimately failed to return Sayers' passionate love, and from her later chiding remarks it seems just as well: "You were a rotten companion for a poor girl. You wouldn't go to the theatre and you wouldn't talk nonsense."

Although Cournos had wished them to become lovers and use contraceptives, Sayers insisted that no "taint of the rubber-shop" should interfere with the creation of their child. Then, with consummate irony, she became pregnant while on the rebound. While it has been known that Sayers bore a son out of wedlock, the identification of the father was never made clear, apparently in deference to the wishes of their child, John Anthony. With his death in 1984, it must have been decided that all could now be revealed. In something of an anti-climax, the father turns out to have been one Bill White, a motorcycling man of action whom Sayers did not love, and who fled "in rage and misery" upon learning she was pregnant.

In addition to the centenary, this revelation appears to have been the catalyst for this latest biography – which, alas, it does not justify. The book often seems more absent-minded pastiche than biography, as if intended to be read with previous writings about Sayers in mind. It is often necessary to refer back to James Brabazon's 1981 biography to find out what is actually going on, and indeed the author herself often relies on Brabazon for interpretations (and quotations). Reynolds, an Italian scholar, may be more at home with a text than a person. Her lack of empathy often causes her to cling obstinately to the sunny persona of Sayers' letters when a more complex analysis is required, and even when contradicted by Sayers herself.

DOROTHY L. SAYERS: HER LIFE AND SOUL
by Barbara Reynolds
Hodder & Stoughton £25, 398 pages

Worse still, and unforgivably for a Sayers biographer, Reynolds' lack of any sense of dramatic occasion allows major events in Sayers' life to occur off-stage; among other omissions, readers are deprived of witnessing her growing success as a novelist, the deterioration of her marriage, and finally even her obituary tributes.

When Reynolds comes to the period to which she was an eye-witness, she becomes incomprehensibly coy. For the last 14 years of Sayers' life, Reynolds collaborated with her on translating Dante's *Divine Comedy*, yet she polishes off their time together in just 12 pages, referring readers to an earlier work for a full account.

I long ago decided that people could be divided into Peters and Harriets: the one mercurial, elusive, and fey; the other straight-browed, steadfast, literal. Reynolds claims that Harriet is "in many ways a projection of the author". A similar case can be made for Peter, as Sayers confesses: "When I was dissatisfied with my single unfurnished room I took a luxurious flat for him in Piccadilly. When my cheap rug got a hole in it, I ordered him an Aubusson carpet." Sayers managed to be both quixotic and sound – the whole somehow much more than the sum of her reported parts. Despite the manifest sincerity of this latest tribute, Sayers is still seeking her biographer.

Ann Geneva

Malcolm manipulated

MALCOLM X, eternally a black hero, was the part-white child of an unhappy family whose inherent brutality denied him both security and self-respect. He became a teenage hustler, a scared kid, a swaggering thief who struggled to conquer his many fears. Imprisoned at the age of 20, he slowly improved himself. Motivated by an extraordinary effort of will, he became an autodidact, an ascetic, a campus debater and a popular philosopher.

Released six-and-a-half years later, he devoted his considerable energy to the Nation of Islam, a black religious movement many of whose tenets were unrecognisable to true Islamic scholars. It was headed by the Reverend Elijah Muhammad, who quickly recognised the talents of his new recruit and made him his national representative. Malcolm soared above his origins to become one of the important political figures of his time. He proved to be the most effective minister the Rev Muhammad had ever recruited; even Cassius Clay, who came to much later as Muhammad Ali, could never replace Malcolm.

The story ends as the final act in a familiar American tragedy. Rev Muhammad, like other founders of idiosyncratic American churches, turned out to be a disappointment: the philandering head of a wealthy clan whose income was the flow of cash from his followers. He fiercely defended his lucrative crown against what he perceived to be the threat of usurpation by Malcolm X. Yet it was Malcolm who achieved immortality by dying a martyr, assassinated in Harlem's Audubon Ballroom in February 1965. He was not yet 40.

Bruce Perry's scholarly book seeks to demythologise Malcolm's autobiography. Its fascination lies in its analysis of the hero's early life, first as Malcolm Little, then as convict. It exposes his internal contradictions. To some of the observers quoted in its pages Malcolm X *was so fair-skinned as to be* almost mistaken for white, a proposition both supported and belied by photographs in *Malcolm X: The Great Photographs*. He made headlines by preaching for Rev Muhammad against "white devils", yet eventually abandoned his racism and acknowledged that not all whites were evil. His autobiography depicts him as a family man; Perry piles on the evidence that suggests he was cold, often cruel, to women.

It is not surprising that some of his posthumous admirers manipulate his memory in the interests of politically correct propaganda. I have not seen Spike Lee's film, but his book reproduces the screenplay by James Baldwin and others. This appears to ignore Perry's findings, perhaps in the interests of further mythologising the myth.

It needs no such assistance. It is right to acknowledge his greatness, but not to deny the complexities and inner tensions that arise from his tortured character. His achievements are a matter of record, but so is his career as a political chameleon. During most of his publicly-witnessed lifetime Malcolm was known as a black nationalist, a preacher for black separatism, and an anti-white, sometimes anti-Semitic, rabble-rouser. In his later years, when he had abandoned much of this, he joked that his contribution to the civil rights movement was that he frightened the white establishment into accepting the integrationist demands of the Rev Martin Luther King Jr.


Malcolm X: political chameleon

Perry knows that history will be more appreciative than that. Malcolm X "mobilized black America's dormant rage and put it to work politically", he writes. "He made African-Americans feel proud of their color. In his effort to fashion a remedy for his self-hatred, he fashioned one for them."

MALCOLM
by Bruce Perry
Station Hill Press, 542 pages

THE AUTOBIOGRAPHY OF MALCOLM X
as told to Alex Haley
Penguin £5.99, 512 pages

BY ANY MEANS NECESSARY
by Spike Lee
Vintage £7.99, 314 pages

MALCOLM X: THE GREAT PHOTOGRAPHS
text by Thulani Davies
Stewart, Tabori and Chang £14.99, 167 pages

Joe Rogaly

ARTS

Screen/Nigel Andrews

Welles on Welles

DO WE laugh or cry at *This Is Orson Welles?* Probably both. This is the conversational swansong of a master film-maker, but tears keep turning to chuckles at Welles's sense of the ridiculous about cinema. For 500 pages he holds forth on every subject, from *The Magnificent Ambersons* to amateur magic, from radio drama to Rita Hayworth, from the tricks of filming snow scenes (white cornflakes in *Citizen Kane*, refrigerated sound-stage in *Ambersons*) to the trials of spending too many years in the Hollywood sun. On the way, he reveals more about the secret currents in his own cinema than an armada of biographies have done, before and since his death in 1985.

"Last" is not quite the *mot juste* for this interview tome. It was edited by Jonathan Rosenbaum from conversations Welles had with critic-film-maker Peter Bogdanovich in the late 1960s/early '70s. When both men became too busy to tidy it for publication, the manuscript hung about, then got lost for five years, then found again. But the book will surely be the "last" published work starring Welles's own voice.

As in Truffaut's Hitchcock opus, the movies are dissected and demythologised by the man who should know. Lucky

THIS IS ORSON WELLES
by Orson Welles and Peter Bogdanovich
HarperCollins £20, 519 pages

accidents and the inspirations of others are confessed; auteur theories are taken to the cleaners. But it is not all deprecation of his own genius. The more the book barrels along, with Welles protesting the long interrogation sessions (Bogdanovich: "How about Fellini?", Welles: "How about a little rest?"), the more a new and self-revealing film-maker emerges.

It is easy to see why Welles earned the old image of a showman-dilettante: too much success too young, too many vaunted projects left unfinished. The world is still picking over the bones of *Don Quixote* and *The Merchant of Venice*. And it would be picking over *The Other Side of the Wind* too, his rumouredly brilliant dark comedy about film-making starring John Huston and P. Bogdanovich, if only it could obtain the tied-up negatives and see the material.

But Welles rejects the role others have cast him in: that of an eternal dabbler, a playboy of Western cinema. The reasons for unfinished films are painfully explained. And Welles's own taste, far from favouring the gimmicky, prefers the elegiac *Ambersons* to the tricksy *Kane*, the rueful *Chimes At Midnight* to the bizarre *The Lady From Shanghai*. He also claims cogency for some movies that *do* seem like empty pyrotechnic displays. He defends *The Trial* – often viewed as an example of Euro-Expressionism gone bananas – as his most personal film: a bleak human comedy rather than a piece of high-camp Kafka-Gothic.

If we believe Welles – and the man who radio-hoaxed a nation with *The War Of The Worlds* requires pinches of salt – he was a gifted dreamer woken too soon by the realities of a philistine business. There are two horribly sad passages in the book. In one Welles gnaws his heart over the multi-picture deal he thought would follow *Touch Of Evil* in the late 1950s, but which Universal dropped on seeing the finished film. "It was just too dark and black and strange for them".

In the other, Bogdanovich recounts a late-night TV screening of the studio-butchered *Ambersons* that he and friends watched with Welles present. Or almost present. The film's creator hung back, made some barbed comments, vanished into another room, came back, then spent the remaining film looking out through the darkened window. His eyes were moist when he turned round at movie's end, says Bogdanovich.

We can wonder about how much Welles, the master artificer, confected even these theoretically intimate moments. What we cannot wonder about is the evidence of Welles's greatness before us on screen. It was not just technical bravura and a flair for alchemising image into metaphor. It was the sense of human existence as a single, ironic sweep: giving us the time-lapse segues of *Kane*, the compacted social history of *Ambersons*, even Harry Lime's Welles-scripted speech in *The Third Man*, aphoristically colliding Renaissance Italy with cuckoo-clock Switzerland. "It's not that the world's so small," Welles muses at one point to Bogdanovich, "it's that history is so short. Four or five very old men could join hands and take you right back to Shakespeare."

But summing up human history or another human life in a wry snapshot is easier than doing the same with one's *own* life. What makes us laugh in this book is Welles's exposure of the little local impostures that add up to the ephemeral lunacy of "success". Like his story of Churchill standing up by pre-arrangement in a Venice hotel whenever Welles passed by. Object, to impress potential backers.

But what tugs the heart is the regret of a great artist for all the great art he never made; for a life that gradually turned to unfulfilment and hollow fame. Citizen Welles, by making *Citizen Kane*, became his own self-fulfilling prophet. Bogdanovich even reminds us, in a postscript to the book, that Welles chose to have his ashes scattered 6000 miles from Hollywood on a Spanish farm where he had once been happy as an 18-year-old boy.

"Rosebud . . ."

The Man's Museum Visit . . . Notre Dame, Paris by As M'Bengue, who comes from Senegal

Brave cultural mixture

Deanna Petherbridge admires the controversial 'In Fusion' exhibition

ARRANGED on a crude metal factory stand are grimey crates stencilled "Product of Chochreh Feyzdjou"; alongside is a gigantic rack supporting rolls of stiff fabrics, and scrolls of unintelligible broadsheets are arranged on a wall. The installation suggests a workshop, perhaps a print workshop. But on looking more carefully, you become eware that the blackened objects so carefully arranged in boxes are in fact hair, feathers and other substances blackened with grease, not the tools of a mysterious trade.

Chochreh Feyzdjou, like the other artists in the brave and important exhibition *In Fusion* at the Ikon Gallery in Birmingham, is a New European with a tale to tell that embraces both native and adoptive cultures. Born in Teheran but educated in Paris, Feyzdjou evokes the history of the in-between; not a personal history, but a mock-industrial history of impossible processes and never-to-be invented artefacts that could be placed in Iran, in Europe, in this century or that. The objects so carefully arranged in the boxes to simulate usage are the fetishised products of displacement. She applies the language of systems to things of the imagination.

Systems of order are also the subject matter of Carlo Capelan. Stiff pieces of European furniture are formally placed within a mud-walled room. Display cases, a machine-made Turkey carpet, couches and desks are the pompous intruders in this "ethnic" space, where piles of textbooks around the periphery of the room are held down with stones. On the mud walls are quotations from post-colonial theory and ethnology: James Clifford, Jonathan Friedman, Luis Cannitzer, Gerardo Masquera. Within the old-fashioned cabinets are museological displays: nail parings, wax spills, twigs, wax-stoppered bottles containing the ashes of burned books. Some of the texts on the wall have been blanked out. At the entrance is a pathetic little mosaic image: "Mi casa es tu casa" – your house is mine.

The messages in this installation are obvious, yet by some sleight of hand the piece is neither gruesomely rhetorical nor aridly illnstrative. The low light renders the room and its intrusive furniture as a sort of anti-shrine, which is evocative and moving. Capelan, born in Montevideo and a political refugee from Chile, has found asylum in Sweden. His work, like Feyzdjou's, is inflnenced by Joseph Beuys, the ultimate shaman, whose sojourn as a refugee dead) in his native country, Germany, was theatrical and manipulative. Here, Beuys' sham language takes on the ring of truth.

Installation and video are the global media of the 1980s and 1990s, and the artists in the *In Fusion* exhibition are right up front. They prove the often repeated statement of social analysts such as Stuart Hall that the periphery is now in the centre, and the cultural implosion has been a creative one.

There is often something desperately bogus about Old Europeans trying to come to terms with the problems of the periphery, but these artists – and they do not all deal with political or social issues – are streetwise and thoughtful. They have been there, they care, and they are using the language to hand to express themselves.

Benni Efrat's videotape "Ararat Express Summer 2043" is almost unbearable to watch, as it dins its way in repeated images on a bank of video screens. The tape narrates a journey through France; video screens have been strapped to side-saddles of a tronpe of pack-ponies, and the actual journey with its solemn procession of ponies, grooms and bewildered spectators is inter-cut with the images on the pack-screens: mass exodus and its related sufferings.

As the ponies are unharnessed for the night and the videos are laid out in rows in fields, the other narratives are overlaid; feeding the starving in Zambia, Botswana, El Salvador, the perilous journeys of Vietnamese boat people and their arrival into despair. We have domesticated such scenes of suffering in our scrolls through television, bot here the repeated image of a Vietnamese mother with the emaciated corpse of her child – dead on arrival – is harrowing. It is a piece about global responsibility using the technology of global communication.

The exhibition is jointly organised with the South Bank Centre, and therefore is part of a generous sponsorship programme by BT. It is a depressing comment on Birmingham's Tories, that Councillor Alan Blumenthal and Bernard Zissman, leader of the Conservative group, should have joined in the row in the Birmingham press about BT sponsoring such "rubbish".

Other works on the exhibition are jollier, particularly As M'Bengue's larged impasto paintings, bursting with musical rhythms and witty fusion of images from his native Senegal with mock scientific diagrams, texts from "official journals" and occasional bits of classical sculpture.

Ying Liang, born in Peking and now living in Hamburg takes the traditional language of Chinese brush painting on paper, and relieves it of its preciousness by inserting rude graffiti into a flower painting or drawing deliberately crude brush notations of women's suits on crushed Jap paper. Ohannes Tapyuli, an Armenian artist living in Germany, points a light finger at consumerism in his enormous framed shirts in a wall installation entitled "We are Rich."

Gavin Jantjes, a South African artist who lived in Germany before coming to Britain, has written the major catalogue essay. He notes that by the year 2000 an estimated 50m people with extra-European cultural roots will be living in Europe, and he questions the "Kulturwurst" definition of culture – ethnic Europeaness stuffed into a geographical package. The future identity of Europe "should be accompanied by a willingness to investigate complex matters of diversity and difference." Maastricht signals more than an assembly of traditional nation-states; it is also the bome of the New European.

Ikon Gallery, Birmingham until April 3; Brighton Museum & Art Gallery, April 24 - May 30; Oriel & Chapter, Cardiff, June 26 - July 31

Poetry in Performance/Michael Glover

The voice of Wilfred Owen

THIS WEEK, the Shropshire market town of Oswestry celebrated the centenary of the birth of its most famous son, Wilfred Owen, poet of the pity of the Great War, with an evening of readings at the Marches School.

It was an great gathering of poets, biographers and other ancillary services: Jon Stallworthy, editor of the poems and author of the official biography; Dominic Hibberd, editor and biographer of Owen's last year; Susannah York, actress; Patricia Beer, Devonian poet; and, last but scarcely least, Ted Hughes. The evening was compered by the Bishop of Shrewsbury.

Stallworthy, square-jawed and looking raffish in a tan leather jacket, led off with biographical glimpses of Owen as a boy and youth – his frustrated wish to attend university; his loss of the Christian faith. Unfortunately, Stallworthy has too much of the silver-tongued academic impresario abont him – the voice sings the poems, reminding us too much of the beauties of Poesy and too little of the horrors of the war that the language describes.

Susannah York gave us a qnartet of Owen favourites, including "Anthem for Doomed Youth" and "Dulce et Decorum Est". Fiercely, fierily dramaturgical, it was a performance of grave, rigid eloquence, a demonstration of professional skills that had been honed to perfection in some drama school.

The biographer, Dominic Hibberd, reminded us of the stultifying closeness of the relationship between Owen and his mother, which included a shared habit of using illness as a solution to all difficulties. It seems that on almost every one of his last five birthdays Owen was ill with some hypochondriacal reflex or other – until 1918, the last year of his life, and the one in which he produced his miraculous war poetry. By this time, he had learnt to face down his own devils.

Up to this point, the evening had consisted not so much of a calling up of the spirit of Owen as a laudable flourish of Oswestry civic pride in having owned, by the mere fact of his having been born and lived briefly there, such a marvellous writer. The last two readers, Patricia Beer and Ted Hughes, did much to correct that imbalance in the second half.

Whsre other readers had been grandiloquent, Beer – who argued in her little talk that Owen, though not a direct influence upon later poets, had been a great innovator himself in the technical aspects of his poetry by the use of half-rhyme, for example – was plain, and convinced by that very plainness. She also told us certain truths that earlier contributione had seemed to obscure somewhat – for example, that Owen, unlike earlier poets of that war, had written what people did not want to hear, and that that fact alone may have led him to break free of traditional metres. Her own reading of "Exposure", halting, imperfect, almost prosey, captured perfectly the atmospbere of that poem – especially the way she read its refrain, "we turn back to our dying", so chillingly flatly.

Hughes had sat for the whols evening, great head elumped on his chest, as if lost in some inner maze, and when he rose to speak he clearly felt that there was little to be said, other than to let the poems speak for themselves. What he did say, having been introdnced by the Bishop as "someone elss from Dorset", was: "I'll just read some poems. They're all about dead men".

He gave us just a handful, concluding with "After Strange Meeting", but each reading was definitive and each poem spoken as if it had been lived from the inside. Only metaphor does justice to Hughes's voice: its subterranean energies; its baleful brutishness, which matches the brutality of Owen's own language because Owen was a poet who, in those last 12 months of his life, and still only 25 years old, transformed himself from some pale, fluttering, Keatsian thing into a poet who had somehow been empowered by suffering to treat directly of the most horrible and sordid things that one man could ever do to another. Hughes captured all this. "This is a horrible one," he said of the fragment which begins "My soul looks down from a vague height with death", and all its oumbing horror came spewing out. It was a concluding moment of brilliant and unsurpassed discomfort.

Radio/B.A. Young

More poetic observations

WILFRED Owen is one of my private heroes, but I was surprised at the comprehensive marking of his centenary. On Sunday, Radio 2 gave a fine two-hour biographical feature presented by Dominic Hibberd. It covered his youth – a home with evangelistic leanings, a harmless affair with a choirboy, a nervous breakdown, a job teaching English in France – in 1915 yet, oddly careless of the war. He was sorry for the French troops, but the British were "only Tommy Atkins", mere soldiers. Yet he enlisted in the Artists Rifles, commissioned, and won an MC on the Somme. Shell-shocked, he was sent to recover in Scotland.

From here on he was more intimately observed in Radio 4's Monday play, *Not about Heroes* by Stephen MacDonald, virtually a duologue between Owen and Siegfried Sassoon, another shell-shock victim (James Telfer and the author). Sassoon coached him into trying something more concerned with reality and his best work came when he went back to the front, where he was killed in action a week before the Armistice. Some of it, together with his letters, will be read by Kenneth Branagh on Radio 3 in the coming week.

Detectives are commoner on the BBC than poets, and two more turn up this week. On Wednesday Radio 4 gave the first of four parts of P.D. James's *Cover Her Face*. Detective Adam Dalgliesh did not appear in this part, but the *Radio Times* told us that Robin Ellis, who is to play him, was jolly good in *Poldark*. I have heard the whole story (dramatised by Neville Teller) on a BBC Radio Collection cassette, available from April 5, and he is good, among a splendid cast. His problem begins with a cheeky servant-girl found dead in a locked room.

Thursday's new investigator, in *The Blackburn Files* on Radio 4, is firmly working-class, a retired Yorkshire pitman. He only investigates who is stealing flowers from an allotment, bnt Stephen J. Blackhurn (Finetime Fontayne) and his assistant Tracey (Judy Flynn) keep it fun. For addicts of detection, the week also gave Detective-Superintendant Thorne on Monday, solving another problem set him by John Penn; Sherlock Holmes on Wednesday in *The Solitary Cyclist*; and on Friday Dr Keith Simpson, the detecting pathologist, with a strangled hitch-hiker.

More serious was Radio 3's Sunday play, *The Lovesong of Alfred J. Hitchcock*, by David Rudkin. We are in an imaginary film studio, where e human Camera (Michael Fitzgerald) gives ths stodio instructions. Hitchcock, played with great realism and sensitivity by Richard Griffiths, wants to reproduce the love-scene he visualised as a boy, but he despises his own fat body and associates women with death. Rudkin repeats similar attempts time and again –. the dream is followed by a thoughtful Hitchcock at work with script-writer and Camera. The play lasted 130 minutes, whichl thought too long. Philip Martin directed.

Groucho Was My Fother (Radio 4, Wednesdays) preseots Miriam Marx Allen, Groucbo Marx's elder daughter by his first wife. Groucho's letters to her, read by Frank Ferrante in a convincing imitation of his voice, are witty but ordinary. It is fun to hear talk of "Uncle Harpo" and "Uncle Zeppo", especially of "Uncle Chico", who hesought Groucho to make another film with him to make him enough money to pay the gangsters threatening his life. There are two more programmss, preseoted hy Tony Staveacre.

A conductor with a vision

***Max Loppert** on the man behind the the rising fortunes of the San Francisco Orchestra*

ON WEDNESDAY in the London Festival Hall and the following evening in the Birmingham Symphony Hall, the San Francisco Symphony will be winding up its latest European tour: ten concerts in eight cities in 14 days. Nothing special in that: American orchestras regularly cross the Atlantic these days – not just the Famous Five (Boston, Chicago, Cleveland, New York, Philadelphia) but several other bands (such as Los Angeles, Pittsburgh and St Louis) risen to international prominence in recent decades, in equal part because of their own improved standards and increased "visibility" via records.

There is now a widely shared perception that, of all those formerly second-rank orchestras, San Francisco's has achieved the most remarkable advances; and since this is most plausibly attributable to the seven-year partnership forged with the conductor who is leading the European tour, the American-born Swede Herbert Blomstedt, a special interest must attach to the latest British encounters with the orchestra.

In the summer of 1990, when the Edinburgh Festival formed the sole British stopping-point of another European tour, the San Francisco Symphony's two concerts provided perhaps the purely musical high point of the whole three-week programme. As I wrote at the time, "Under Blomstedt the orchestra has developed into a first-rate ensemble, (and) should be regarded as a prize catch (for Edinburgh). The first concert was an occasion for broadly authoritative music-making – not splashy or show-off (Blomstedt, a restrained, rather sober figure on the podium, would hardly countenance that) but honestly and powerfully guided by musical concerns".

Since then, the orchestra's star has continued to rise internationally – aided by its output of uniformly fine recordings, mainly but not exclusively on Decca, of 19th-century and late-Romantic symphonies, choral and orchestral showpieces, and new works by such important American figures as Charles Wuorinen.

All are made in the Davies Hall, the orchestra's specially built (in 1980) concert hall, whose acoustics, problematical at first, have recently been improved by a $10m programme of overhaul. Serious programme-building, which the range of San Francisco Symphony recordings reflects, has been a hallmark of concerts during the Blomstedt years. A Nielsen and Sibelius specialist, he has also concentrated on Bruckner, in spite of (as he says himself) a tendency of American audiences to lose concentration during those spacious long movements.

In addition, new American music has been assiduously promoted – not just West Coast Minimalists like John Adams but such "tough nuts" as Carter and Sessions (whom he cracks himself). Yet Blomstedt has maintained not just the San Francisco orchestra but San Francisco concert-goers in step with his vision of what an orchestra should be and do.

Down the Pacific Coast, the youth and good looks of Esa-Pekka Salonen are hugely magnified on a Sunset Boulevard billboard advertising the L.A. Philharmonic. The San Francisco Music Director cuts an altogether different and, on the face of it, less likely West Coast figure – a lean, Nordically sharp-featured 65-year-old whose conversation resonates with dry wit and quiet, cast-iron conviction (he is a devout Seventh Day Adventist).

It was, initially, something of a long-shot appointment. Blomstedt came to San Francisco highly respected in the profession for his association with (*inter alia*) the Danish Radio Symphony and, particularly, for the ten years (1975-85) he spent with the Dresden Staatskapelle. (A mid-'70s Festival Hall concert by the Dresden orchestra under Blomstedt, with Strauss first and a naturally-flowing, magnificently solid *Eroica* afterwards, has stayed intensely vivid in my memory.) But he exuded no PR-heightened "glamour", and brandished no recording contracts (those came after the partnership was already launched).

Success came in the most rewarding way – in terms of steadily enriched orchestral sound, profile and personality. The healthy artistic situation is economically mirrored: at a time when many American cultural institutions, and certainly the majority of orchestral ones, are struggling to balance their books, the San Francisco Symphony has kept its consistently in the black.

I visited the orchestra at its home base at the end of last year, catching at the same time the premiere of the Oboe Concerto (coolly lyrical, catchily percussive, more complex and interesting than first impressions suggest) by John Harbison which – characteristically – Blomstedt is including in one of his European tour programmes. (It will be heard in London, alongside the Bruckner Fourth.) I found that pride in the achievement of the Blomstedt years runs, unshowily but insistently, through every level of the organisation.

And yet, prior to the December concerts, the conductor had just shocked everyone by announcing his intention to quit the music director's post in 1995. The loss will be soothed by his occupation thereafter of the Conductor Laureate title. But why the departure?

"It is time. I have had a very good period with the orchestra. The quality of all the sections has improved. The orchestra is now full of fantastic players. It needed building up, and we have worked on that together. In some senses an American orchestra finds the great Classical symphonic repertory harder than the modern music they play: they are very quick in learning the notes, but there is perhaps a shorter interest span than we are used to in Europe."

He has felt cut off from Europe. Artistic connections from the past have had to be loosened or even put aside for San Francisco. As the fine print of his work so plainly testifies, Blomstedt is not a conductor for whistle-stop, minimum-rehearsal guest engagements (he has never appeared with any of the London orchestras, although probably not for want of invitations). He speaks movingly of his years with the Dresden players, of the hardships they endured in GDR times and the uncertainties that now beset them, and above all of the orchestra's character – "so warm, with its rich string sound, so full and natural".

Where will Blomstedt go after 1995? He is keeping that secret; but wherever it may be, the appointment must surely promise the conditions in which this first-rate musician and orchestral trainer can flourish – as he so obviously has in San Francisco.

Herbert Blomstedt, who brings the San Francisco orchestra to London next week

Marvels in Maastricht

ONE PARISIAN lady at the Maastricht arts fair this week sniffed that in her opinion the event was "moins spectaculaire" than the Biennale antique show in Paris. Madame was wrong: less theatrical it may be, but once you forget the hideous warehouse they stage it in and examine the marvels on the stands, the *Maastricht European Fine Art* Fair, which closes tomorrow after 10 days, has to be the most "spectaculaire" accumulation of antique excellence anywhere.

Maastricht attracted 160 art dealers this year compared with 147 in 1992 and has been doing better business this year than last. Curators from the US and Europe were on the prowl and mediaeval and Renaissance art specialist Edward Lubin, from New York, was understandably upbeat after selling two south German polychrome statues of captive Turks, made to commemorate the Battle of Vienna in 1683, to the Zeughaus Museum in Berlin on the first night. In the *textile section Eskenazi, from* Milan, sold an historic piece, a *unique early 13th century* animal carpet from eastern Anatolia to a German buyer within minutes of opening.

For the second year, Harry Winston, Cartier, Garrard and Buccellati are manning a jewellery section to waylay the rich. Winston boasted the Garuda brooch, set with the largest green diamond (8.19 carats) in the world for just over $3m. There is a new antiquities section with *ancient Chinese* art specialist, Gisale Croes, from Brussels, among others. Her stand includes two miraculously-preserved terracotta Han ducks and seven extremely rare Dian bronzes (475-109BC), which she rapidly sold. One of them was a belt-huckle in the *form* of a *buffalo attacked by a* tiger and a leopard, watched by a puzzled rabbit, all in marvellous detail.

Next door, H.A. Cahn, from Basle, is exhibiting an array of Greek and Roman antiquities, including a rare 6th century BC Corinthian bronze helmet and a ceremonial gold pomegranate from Lebanon, second millennium BC, wondrously intact, for 75,000 Swiss francs.

There is an abundance of silver this year: Koopman and Son, *from* Chancery Lane, wanted £1,250,000 for two George II three-light candelabra, a marvel of foliage and nude bodies made by Charles Frederick Candler in 1738. Phillips – which on the first day alone did three-quarters of the business it managed in 1992 – *wanted* slightly more for an enamelled gold and glass tankard made in Zurich in 1606, signed by Hans Jacob Sprungli, from the Kremlin treasury.

Maastricht began making up for its weakness in furniture this year. Adriano Ribolzi, from Monte Carlo, boasts a secretaire by 18th century French Royal cabinet- maker, Riesener, in rosewood, sycamore, burr elm, stained wood veneer *and* marquetry. *Par*tridge, over from London for *the first time, have a pair of* console desserts with Sèvres plaques, made for the dairy at Fontainebleau in which Marie-Antoinette played (£750,000) and, from Upton House, in Oxfordshire, a Louis XVI tulipwood bureau stamped J Stockel, for £220,000.

Waddington Galleries made the trip from Cork Street and bucked up the dire quality of the 20th century painting section, always a weak spot at *Maastricht*, with a wide range of good contemporary works. Within 24 hours of opening, it had sold some £250,000 worth including a Leger gouache of 1949, a Jean Arp bronze and two Henry Moore drawings.

Some great Old Masters shine through the acres of 17th century tulips, oceans of Dutch seascapes and innumerable Flemish tavern scenes, which dealers always bring to charm *local buyers. Bob Haboldt, of* Paris, has a major 17th century Italian *still life* by Michelangelo di Campidoglio, while Bruno Meissner, of Zurich, has four, vigorously-executed scenes from the life of Moses, by Jacopo Palma. Bernheimer has a vibrant Canaletto view of the Grand Canal priced at £2.6m and Emmanuel Moatti, from Paris, showing both drawings and paintings, quickly sold a Rubens portrait of Prince Francesco Gonzaga, of 1605, a fragment of an altarpiece.

"Trading at *Masstricht* is not just a sign the art market is moving. I think it is a means to get it moving, too," one dealer said.

Nicholas Powell

Chess No 966: 1 Qh2 Bxg2 2 Qh5+ Kxf1(Bf3 3 Qb5) 3 Qd1. If 1...Kxf1 2 Qh1+ Ke2 3 Nf4. If Kf3 2 Qxh3+ Ke2 3 Nf4.

ABOUT A quarter of a million people a year visit the Old Royal Observatory at Greenwich and stand upon a brass line in the pavement outside. The line marks the Prime Meridian or Longitude Zero, and to straddle it is to have one foot in the eastern hemisphere and one in the western.

If visitors have not given sufficient regard to the wider historical and scientific importance of the Royal Observatory, it is partly due to the outmoded displays and confusing information that has *so far* been available to them. This has now been corrected, for the observatory *re-opens* next week following the installation of new galleries and permanent exhibitions and the redecoration of the 17th century apartments.

The observatory was founded by Charles II in 1675 to provide astronomical data for tha improvement of navigation. The main building is known as *Flamsteed House*, after the first astronomer royal, John *Flamsteed* (1646 - 1719). The press release describes Flamsteed House as "a masterpiece by Christopher Wren", although in fact Wren was, to qnote the architectural historian John Summerson "only in some degree responsible" for the design.

As far as the alterations of earlier times allow, Flamsteed's modest personal apartments have been restored and furnished to give an impression of his occupancy. However, the jewel *of Flamsteed* house is the Octagon Room, *above Flamsteed's apartments.* Essentially a large belvedere *with tall* windows on *all sides* to allow for the 360 degree tracking of the night sky, this beautiful room has now been re-equipped with telescopes and astronomical instruments of the period. An attempt has also been made to restore the original decorative scheme.

Flamsteed House was added to in the 18th and 19th centu*ries and adjacent buildings* were built to contain the equipment required for positional measurements of the stars. The Octagon Room, although a showpiece and a statement of national pride, ltwas never practical for accurate celestial cartography and Flamsteed himself constructed a small building behind the house for this purpose. Later astronomers made their own additions *and since* the *result does not* form an architectural whole, *licence has been taken to* thoroughly modernise the interior spaces of these later wings.

The introductory galleries address the history of astronomy in general terms and the pioneering contribution of John Flamsteed in particular. Flamsteed's work in mapping the stars using a new and accurate system of measurement *reveals him to be the founder* of modern astronomy. His observations were of great help to Nawton, with whom he later fell out when Newton and Halley (of comet fame) published some of his findings without his consent. Edmond Halley (1656-1742) succeeded Flamsteed as the second astronomer royal in 1720.

However, even though these luminaries had made great *progress in astronomy and* certain related areas, their observations had not helped to solve that most obstinate and fundamental problem of navigation, namely how to determine longitude at sea. This basic inability to fix a position was the cause of so many disasters that Parliament established tha Board of Longitude in 1714 to consider any suggestions that might be forthcoming. It also announced a £20,000 reward for anyone who could solve the problem.

Enter John Harrison (1693-1776), *the 300th anniversary* of whose birth coincides with the re-opening of the observatory. For centuries the potential contribution of a marine chronometer had been recognised. Since the earth rotates through 360 degrees every 24 hours, if the mariner were to hava a clock showing the exact time at a fixed meridian such as Greenwich, he could, knowing local time (which could easily be established by observing the position of the sun) translate the *time difference* between the two into degrees of longitude.

Harrison, a Yorkshire carpenter, had produced a number of clocks with wooden mechanisms. He visited Edmond Halley at the Greenwich observatory with a proposal that he build a clock that would keep accurate time at sea, notwithstanding the motion of the ship *and temperature variations.*

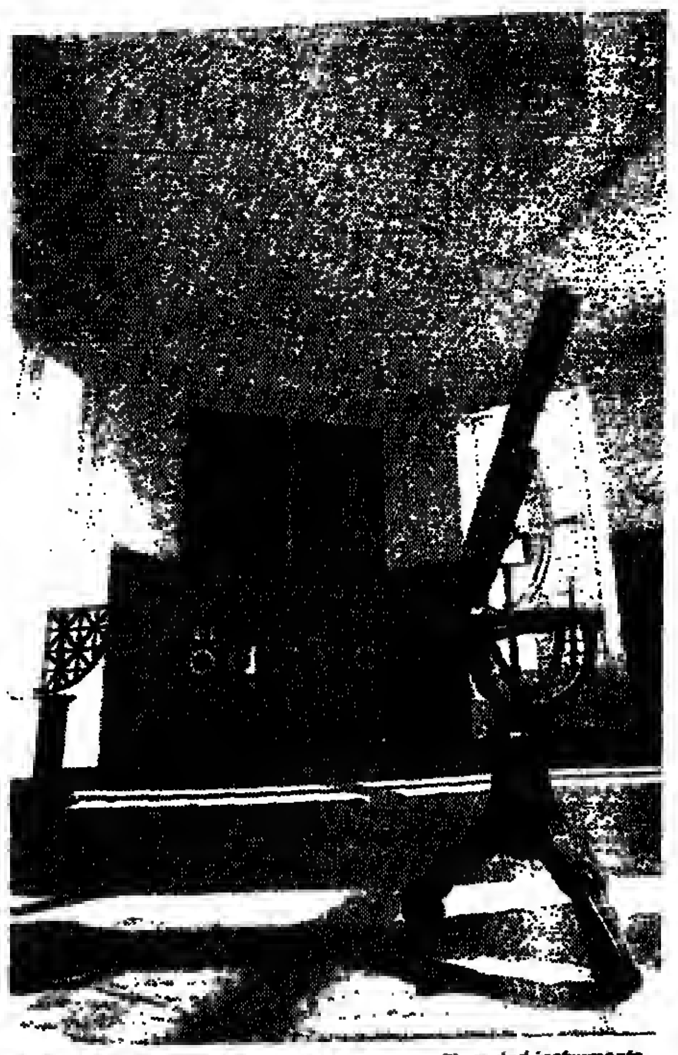
The story of Harrison's *remarkable achievements from* the successful completion of *his first* marine chronometer in 1736 to the time he received the full reward from the Board of Longitude reward in 1773 is a fascinating chronicle of dedication, despair and eventual vindication. His chronometers were the height of technology in their day, and it would be hard to better his own description of his final and most *successful design*: "I think I make so bold as to say that there is neither any other mechanical or mathematical thing in the world that is more beautiful or curious in texture than this my watch or timekeeper for longitude." Captain Cook took a copy of Harrison's final chronometer on his second and third voyages where it helped him to map the *coasts* of Australia and New Zealand with a *precision* that is still admired today.

Harrison's four major chronometers are excellently displayed in the new galleries, each accompanied by a video that uses computer graphics to explain the principles and design of the mechanism. There is no sound track which means that the tick of the marvellous machines may be beard. John Redfern, an horologist turned producer of computer graphics, deserves the highest praise for these tapes.

Video is also used to good effect in the chamber housing Sir George Airy's telescope, where it is obviously impossible to activate the machinery itself. Airy was astronomer *royal between* 1835 and *1881*, and it is his telescope that defines Longitude Zero for the world. What finally clinched the argument in favour of Greenwich rather than, say, Paris, was that the new American railways had also started using Greenwich for their time zones.

Another gallery is assigned *to the London instrument* makers of the 18th and 19th centuries who contributed to the scientific progress of the age with astonishing ingenuity and technical skill. A fine selection of instruments are on display with captions that make them intelligible to the layman.

The re-development brings to prominence the most impor*tant monument to the* scientific aspirations and achievements of the Enlightenment. And as an expression of the scientific confidence of our own age, the brass strip marking the Prime Meridian has been taken up and replaced with a line of pulsating lights. Such is the march of progress.



Jewel of Flamsteed house: the Octagon room, with period instruments

Greenwich observed

***Richard Newbury** on the re-opening of the observatory*

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Henry's Cat. 7.35 Wiz Bang. 7.55 Litt' Bits. 8.10 Eggs 'n' Baker. 8.35 Tom and Jerry: Greatest Hits. 9.00 Going Live.

12.12 Weather.
12.15 Grandstand. Introduced by Steve Rider. Including 12.20 Football Focus: Round-up of the best action from home and abroad. 1.00 News. 1.05 Boxing: Henry Akinwande v Jimmy Thunder, from Lewisham. 1.25 Rugby Union: Previewing this afternoon's Five Nations Championship matches. 1.55 Rugby Union: France v Wales. Live coverage of the first half from Parc des Princes, Paris. 2.40 Rugby Union: Ireland v England. Full live coverage from Lansdowne Road. 4.15 Rugby Union: Highlights of the France v Wales game. 4.40 Final Score.
5.15 News.
5.25 Regional News and Sport.
5.30 Bugs Bunny. Cartoon fun.
5.40 That's Showbusiness.
6.10 You Rang M'Lord? Teddy is desperate to escape his impending marriage to Madge, so Alf decides to help him. Meanwhile, Cissy Meldrum's concern for the poor finally registers with Lord Meldrum, and the family agree to donate the cost of their Sunday lunch towards a new soup kitchen. Comedy, starring Paul Shane.
7.00 Film: Private Benjamin. Comedy, starring Goldie Hawn as a spoilt, dizzy, young Jewish widow who enlists in the US army, and is to discover military life is not exactly a feather bed (1980).
8.45 Birds of a Feather. Sharon and Tracey face a moral dilemma when they see an acquaintance committing a crime. Should they tell the police? Comedy, starring Linda Robson and Pauline Quirke.
9.15 News and Sport; Weather.
9.35 That's Life!
10.15 Match of the Day.
11.15 Film: Evil of Frankenstein. Hammer horror starring Peter Cushing as the insane Dr Frankenstein, who returns to his castle and thaws one of his monstrous creations from its icy tomb, unleashing a reign of terror on the surrounding villages. With Duncan Lamont and Peter Woodthorpe (1964).
12.40 Weather.
12.45 Close.

BBC2

6.40 Open University.

3.00 Animation Now. Offbeat tale by Ichu Patel.
3.15 Film: They Died with Their Boots On. Epic Western adventure, tracing the colourful career of the flamboyant General George Armstrong Custer (Errol Flynn), who made a doomed last stand against Sitting Bull at the battle of Little Big Horn. With Olivia de Havilland, Arthur Kennedy and Anthony Quinn (1941).
5.35 Late Again. Compilation of highlights from last week's programmes.
6.25 Scrutiny.
6.55 News and Sport; Weather.
7.10 Sounds of the Seventies.
7.45 First Cut. In 1992, the people of Canada had to vote for a new constitution. This meant the country's aboriginal tribes became part of the political process for the first time in their history, prompting native issues to rise to the top of the political agenda. This film profiles Cree Indian activist Ovide Mercredi, the grand chief of the Assembly of First Nations, as he conducts a crusade on behalf of his people.
9.15 The Bore of the Year Awards. Private Eye magazine's annual awards ceremony.
10.15 Hearts of Darkness. Documentary following Francis Ford Coppola during the making of the complex Vietnam War epic, Apocalypse Now. From Coppola's extraordinary work emerged a highly acclaimed masterpiece, despite production being beset by typhoons, wars, drugs and heart attacks.
11.50 Meet Marlon Brando. In 1965, Marlon Brando flew to New York to promote his new movie Morituri, and was interviewed extensively by the press. Celebrated documentary-makers David and Albert Maysles were on hand to record the events, and their film provides a rare glimpse of the star.
12.15 Film: A Streetcar Named Desire. Marlon Brando and Vivien Leigh star in this adaptation of Tennessee Williams' powerful drama about a repressed southern widow who is raped and driven mad by her brother-in-law (1951).
2.20 Close.

LWT

6.00 GMTV. 9.25 What's Up Doc? 11.30 The ITV Chart Show. 12.30 pm Speakeasy.

1.00 ITN News; Weather.
1.05 London Today; Weather.
1.10 Movies, Movies, Movies. Previewing Forever Young, starring Mel Gibson, and reviewing video releases A League of Their Own, Carry On Columbus, California Man and Peter Pan.
1.40 Stuntmasters. Live stunts performed by some of Hollywood's top stuntmen.
2.05 Hard Time on Planet Earth. Jesse saves the family business from the hands of an unscrupulous real-estate dealer.
3.00 The A-Team.
3.55 WCW Worldwide Wrestling. Gripping action in the canvas ring.
4.40 ITN News and Results; Weather.
5.00 London Tonight and Sport; Weather.
5.15 Baywatch.
6.10 Blind Date.
7.10 Film: Splash Too. A Manhattan yuppie tries to settle down with his mermaid wife in New York, but their married bliss is disturbed when the fishtailed female sets out to save a friendly dolphin. Comedy sequel, starring Todd Waring, Amy Yasbeck and Donovan Scott (TVM 1988).
8.50 ITN News; Weather.
9.05 London Weather.
9.10 Film: Beetlejuice. Spooky comedy about a dead couple (Alec Baldwin and Geena Davis) who fail terribly in their attempts to scare the rich-but-tasteless family who have moved into their old home. Enter Michael Keaton as a professional ghoul who agrees to help them get rid of the unwanted family (1988).
10.50 Tarrant's 10 Years on TV. Chris Tarrant digs up some classic clangers from live TV commercials. Plus, more masochistic mayhem in the Japanese game show Endurance.
11.20 Mitler and Mueller. Offbeat crime drama set in Houston, Texas, about two women brought together by their love of the same man. Desiree Becker and Suzanna Savoy star.
12.20 The Big E.
1.20 Get Stuffed; ITN News Headlines.
1.25 Basketball.; ITN News Headlines.
2.30 New Music.
3.25 Get Stuffed; ITN News Headlines.
3.30 Night Heat.
4.20 BPM.; Night Shift.

CHANNEL4

6.00 Early Morning. 10.00 Trans World Sport. 11.00 Gazzetta Football Italia. 12.00 Road Dreams. 12.30 pm Songs and Memories.

1.00 Film: Confirm or Deny. World War Two romance, starring Don Ameche. An American war correspondent working in London falls for a lady switchboard operator during a blackout. With Joan Bennett and Roddy McDowall (1941).
2.20 Racing from Uttoxeter. Including the 2.30 Mitsubishi Shogun Trophy (H'cap Chase), 3.00 Bet with the Tote Novices' Chase Final (H'cap), 3.35 Tetley Bitter Midlands National (H'cap Chase), 4.10 Tattersalls Mares Only Novices' Chase Final (Ltd H'cap), and the 4.40 William Hill Handicap Hurdle races.
5.05 Brookside.
6.30 Right to Reply. More viewers' ideas and reports about TV, with Sheena McDonald.
7.00 A Week in Politics. Andrew Rawnsley and Vincent Hanna take an offbeat look at the week's parliamentary news.
8.00 Adventures: Taming the Lion. A team of canoeists tackle the awesome white water of Pakistan's Indus River, known in Buddhist mythology as the Lion.
9.00 Porterhouse Blue. Zipser emerges from a drunken stupor with grave consequences which he decides to dispose of in an inflationary, if not inflammable, fashion – leaving Skullion to clear up the mess. David Jason, John Sessions and Griff Rhys Jones star in Malcolm Bradbury's award-winning adaptation of Tom Sharpe's black comedy novel.
10.00 Saturday Zoo. American comedian Denis Leary joins Jonathan Ross for another hour of music and chat.
11.00 Ready Steady Go! Featuring Motown sensation Marvin Gaye, The Isley Brothers and Martha and the Vandellas.
11.35 Adult Oprah. Homosexual employees and their intolerant bosses debate gay rights in the workplace.
12.30 Film: A Severed Head. Sophisticated sex comedy, starring Ian Holm as a wine merchant whose infidelities are paid back in kind when his attractive wife (Lee Remick) carries on a unconcealed affair with her psychiatrist (Richard Attenborough)
2.20 The Word.
3.20 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 12.30 Movies, Movies, Movies. 1.05 Anglia News. 1.10 Wrestling. 2.00 The A-Team. 2.55 The Last Day. (TVM 1975) 5.00 Anglia News and Sport 11.20 Shell Game. (TVM 1975)

CENTRAL: 12.30 Movies, Movies, Movies. 1.05 Central News 1.10 Nigel Mansell's IndyCar '93. 1.40 Wheels in Sport. 2.10 The Magical World of Disney. 5.00 Central News 5.05 The Central Match - Goals Extra. 9.05 Local Weather. 11.20 Lassiter. (1984)

CHANNEL: 12.30 Movies, Movies, Movies. 1.00 Channel Diary. 1.10 Nigel Mansell's IndyCar '93. 1.40 North Beach and Rawhide. (TVM 1985) 3.25 The Munsters Today. 5.00 Channel News. 5.05 Puffin's Plaice. 11.20 The Equalizer.

GRAMPIAN: 12.30 Movies, Movies, Movies. 1.05 Grampian Headlines 1.10 Calpsen Planaid. 1.40 Speaking Our Language. 2.10 Tomas Tolsach S A Charaidean. 2.15 Police News. 2.35 Carry on Sergeant. (1958) 3.55 Wrestling. 5.00 Grampian Headlines 5.05 Small Talk. 9.05 Grampian Weather. 11.20 Shell Game. (TVM 1975)

GRANADA: 12.30 Movies, Movies, Movies. 1.05 Granada News 1.10 Kick Off. 2.00 Granada Sport Action. 5.00 Granada News 6.10 Granada Sport: Goals Extra. 11.20 Shell Game. (TVM 1975)

HTV: 12.30 Movies, Movies, Movies. 1.05 HTV News. 1.10 Nigel Mansell's IndyCar '93. 1.40 McCloud: A Walk in the Dark. 2.40 Hannibal. (1959) 4.20 Purly Pig. 5.00 HTV News and Sport 9.05 HTV Weather. 11.20 Shell Game. (TVM 1975)

MERIDIAN: 12.30 Movies, Movies, Movies. 1.05 Meridian News. 1.10 Nigel Mansell's IndyCar '93. 1.40 North Beach and Rawhide. (TVM 1985) 3.25 The Munsters Today. 5.00 Meridian News. 5.05 Saturday Sport. 11.20 The Equalizer.

SCOTTISH: 12.30 Movies, Movies, Movies. 1.05 Scotland Today. 1.10 Calpsen Planaid. 1.40 Speaking Our Language. 2.10 Celebrity Squares. 2.40 Cartoon. 3.05 Carry on Again Doctor. (1969) 5.00 Scotsport Results. 6.15 The Box. 6.30 Scotland Today 5.45 Coach. 9.05 Scottish Weather. 11.20 Psycho II. (1983)

TYNE TEES: 12.30 Movies, Movies, Movies. 1.05 Tyne Tees News. 1.10 Cartoon Time. 1.20 The A-Team. 2.15 Young Guns of Texas. (1962) 3.45 McCloud: Million Dollar Round Up. 5.00 Tyne Tees News. 11.20 Lisa Stansfield - All Around the World.

WESTCOUNTRY: 12.30 Anybody Out There? 1.05 Westcountry Weekend Latest. 1.10 Lost Flight. (TVM 1969) 3.10 The Munsters Today. 3.40 Movies, Movies, Movies. 4.10 Nigel Mansell's IndyCar '93. 5.00 Westcountry Weekend Latest. 11.20 Shell Game. (TVM 1975)

YORKSHIRE: 12.30 Movies, Movies, Movies. 1.05 Calendar News. 1.10 Cartoon Time. 1.20 The A-Team. 2.15 Young Guns of Texas. (1962) 3.45 McCloud: Million Dollar Round Up. 5.00 Calendar News. 11.20 Lisa Stansfield - All Around the World.

SUNDAY

BBC1

7.00 PC Pinkarton. 7.05 Felix the Cat. 7.20 Opposites Attract. 7.30 Smoggies. 7.55 Playdays. 8.15 Breakfast with Frost. 9.15 People on the Way. 10.00 See Hear! 10.30 Japanese Language and People. 11.00 Computing for the Terrified. 11.30 Making Time.

12.00 Advice Shop. Topical welfare rights magazine.
12.30 CountryFile.
12.55 Weather for the Week Ahead; News.
1.00 On the Record. Political interviews and analysis.
2.00 EastEnders.
3.00 Film: Pillow Talk. Romantic comedy. Doris Day and Rock Hudson star as a couple who speak regularly on a telephone chat-line, blissfully unaware that they have already met (1959).
4.40 Lifeline. On behalf of the environmental group, Earthwatch Europa.
4.50 Song for Europe Preview.
5.00 The Clothes Show. Reporting on the designers flocking to Paris to display their work, and advising cross-Channel day-trippers in search of fashion bargains.
5.25 Antiques Roadshow. Hugh Scully celebrates the 150th edition in the final programme of the current series from the Baron's Hall in Arundel Castle, Sussex.
6.10 News.
6.25 Village Praise. Pam Rhodes visits the West Highland village of Mallaig.
7.00 Last of the Summer Wine. Compo thinks he has found a new way to Nora Batty's heart - thanks to a muddy find at the bottom of a canal.
7.30 A Year in Provence. Alfred Molina and Catherine Rabett play mystery visitors whose arrival in the Mayle household leads to talk of divorce - and even murder. John Thaw and Lindsay Duncan star.
8.00 The British Academy Awards. The best performances and productions in cinema and TV during 1992 are honoured by the British Academy for Film and Television Arts.
11.00 News and Weather.
11.15 Everyman. Exploring Phoebe Caldwell's ground-breaking work with people who suffer from profound learning disabilities.
11.55 Winning. Charting the progress of a giftware company in mid-Wales.
12.25 Weather.
12.30 Close.

BBC2

6.40 Open University. 9.10 Christopher Crocodile. 9.15 The Animals of Farthing Wood. 9.40 Time Busters. 10.05 Teenage Mutant Hero Turtles. 10.30 Century Falls. 10.55 Blue Peter Omnibus. 11.45 The O-Zone. 12.00 Thunderbirds.

12.50 Film: Colt 45. Western adventure about a gun salesman out to recover a set of stolen firearms. Starring Randolph Scott and Lloyd Bridges (1950).
2.00 Around Westminster. Weekly round-up of political news.
2.30 Owen Wingrave. Benjamin Britten's opera, telling the tale of an outcast from a militaristic family. First of two programmes shown today to mark the London Symphony Orchestra's Festival of Britten.
4.25 Ski Sunday. World Cup action from Lillehammer, Norway, featuring the Men's Downhill.
5.00 Rugby Special. Ireland v England; France v Wales. Highlights of yesterday's matches in the Five Nations Championship.
6.00 The Natural World. Exploring the once-thriving mining centre of Ruby in Arizona, now a ghost town whose buildings house a rich variety of wildlife.
6.50 The Money Programme. As the Clinton administration plans to cut the profits made by drug companies in an attempt to improve America's costly healthcare system, Simon Gompertz reports from Washington on how these moves will affect Britain.
7.30 War Requiem. Michael Berkeley introduces Benjamin Britten's acclaimed musical work, live from the Royal Albert Hall. Performed by the London Symphony Orchestra and Chorus, and the Choristers of St Paul's Cathedral. Conducted by Mstislav Rostropovich.
9.10 The Beginner's Guide to the State We're In. Award-winning novelist Robert Wilson and BBC producer Mike MacCormack take to the roads for this improvised documentary exploring the poorer parts of Britain.
10.25 Screen Two: The Last Romantics. Ian Holm and Leo McKern star in this powerful drama set in Cambridge University in the mid-1960s. A tutor nearing the end of his career is visited by a student whose arrival disrupts both their lives.
11.55 The Dave Thomas Show.
12.25 Close.

LWT

5.00 GMTV. 8.55 Disney Club. 10.45 Link. 11.00 A Meditation. 12.00 This Sunday. 12.30 pm Crosstalk; London Weather.

1.00 ITN News; Weather.
1.10 Walden. Mr Jack Straw, shadow environment secretary, discusses how Labour should modernise its values.
2.00 The Smurfs.
2.30 The London Match. Southend United v Millwall. Ian St John introduces Football League action from Roots Hall.
5.00 Wish You Were Here? John Carter travels by train from Bangkok to the Malaysian border, and Anna Walker reports from two Greek islands, Spetses and Poros.
5.30 Survival. The work of a group of enthusiasts who, for 30 years, have undertaken to re-establish ancient Israel's wildlife, using the Bible as a guide.
6.00 London Tonight; Weather.
6.20 ITN News; Weather.
6.30 Murder, She Wrote. Jessica's new neighbour is reunited with her father, who disappeared 20 years earlier after being accused of a bank robbery. But when he is murdered, the crime writer's investigations uncover a variety of suspects.
7.25 Watching.
7.55 The Darling Buds of May. Second of a two-part story. Primrose runs away to Liverpool in search of her latest boyfriend. Pop's doubts about Edith's new lover seem to be justified.
8.55 Maigret. The French detective suspects the staff when a woman's body is found in the basement of the Hotel Majestic. But is he following the right trail? Detective drama, starring Michael Gambon.
9.55 Aspel and Company. Miami pop queen Gloria Estefan talks about her singing career.
10.40 ITN News; Weather.
10.55 London Weather.
11.00 The South Bank Show. Irish writer John Banville, whose novel The Book of Evidence was short-listed for the Booker Prize, discusses the ideas and inspirations behind his work.
12.00 Encounter.
12.30 Cue the Music.
1.30 Get Stuffed; ITN News Headlines.
1.35 TXT.
2.35 Summerrock.; ITN News Headlines.
3.35 Snooker.

CHANNEL4

5.00 Early Morning. 9.30 Dennis. 9.45 Flipper. 10.15 The Lone Ranger. 10.45 Land of the Giants. 11.45 Little House on the Prairie. 12.40 pm Icaro.

12.45 The Journey. The New Zealand probation service's experimental attempt to reform six persistent offenders.
1.45 Football Italia. Matches from Serie A, including Juventus v Inter Milan, Lazio v Atalanta and Parma v AC Milan.
4.00 Mine Eyes Have Seen the Glory. Professor Randall Balmer talks to extreme right-wing representatives of the American evangelical movement.
5.00 Gustav and the Hunting Dog.
5.10 News.
5.15 High Interest: Whiter Than White. Investigating the problems of money-laundering in Switzerland. How can Swiss police enforce new laws to prevent the country's banks being used as a home for criminals' funds?
6.00 Moviewatch.
6.30 The Wonder Years.
7.00 Fragile Earth. Investigating conservationists' accusations that one Scottish trawlerman has driven the basking shark to near extinction in British waters. The trawlerman argues there are plenty, but critics disagree. Fragile Earth follows the hunt and considers the threat to the world's second largest fish, a species which remains surprisingly undocumented.
8.00 Opinions: Britain 1993. Sir James Goldsmith talks about whether industrial progress has been a good thing for the environment.
8.30 Benny Hill. Compilation of comedy clips.
9.00 Lipstick on Your Collar. Hopper prepares for his big night out with Lisa, while a despairing Sylvia is furious with Atterbrow. Louise Germaine stars.
10.15 Film: Hidden Agenda. Political thriller about an English CID inspector (Brian Cox) who goes to Northern Ireland to investigate the murder of an American lawyer (Brad Dourif) (1990).
12.15 The Guardian Interview - Ken Loach.
12.45 Film: Finzan. A young African bride decides to flee from the suffocating and brutal customs of her arranged marriage. Drama, starring Diarrah Sanogo and Oumar Namory Keita (1989).
2.50 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 12.20 Food Guide. 12.55 Anglia News. 2.00 Battle of the Bulge. (1965) 5.00 Survival. 5.30 Bullseye. 6.00 Anglia News on Sunday 10.55 Local Weather.

BORDER: 12.30 Gardeners Diary. 12.55 Border News. 2.00 Wish You Were Here? 2.30 A Matter of Choice. (1963) 3.35 Highway to Heaven. 4.30 Survival. 5.00 Scotsport. 2.00 The Border Week. 6.15 Border News.

CENTRAL: 12.30 Gardening Time. 12.55 Central News 2.00 Earthfile. 2.15 Coach. 2.45 The Central Match - Live. 5.00 Survival. 5.30 Highway to Heaven. 6.15 Central News

CHANNEL: 12.30 Reflections. 12.35 Rendez-Vous Dimanche. 12.50 Tele-Jornal. 2.00 Highway to Heaven. 2.55 Cartoon. 3.05 Freescreen Mother's Day Special. 2.15 With Six You Get Eggroll. (1968) 5.05 Freescreen Mother's Day Special. 5.15 Survival. 5.45 Great British Isles. 6.15 Channel News.

GRAMPIAN: 10.45 Small Talk. 11.00 The Sunday Service. 11.45 Link. 12.30 Gardener's Diary. 12.55 Grampian Headlines. 2.00 Wild South. 2.30 Nigel Mansell's IndyCar '93. 3.00 Highland League Football. 4.00 Wish You Were Here? 4.30 Survival. 5.00 Scotsport. 6.00 Grampian Headlines 6.05 Elkon.

GRANADA: 12.25 What the MPs Say. 12.55 Granada News 2.00 Granada Action. 2.30 Beloved Infidel. (1959) 4.45 Bullseye. 6.15 Coronation Street. 6.10 Granada News

HTV: 12.25 HTV News. 12.30 HTV Newsweek. 2.00 Superstars of Wrestling. 2.50 The Best Years of Our Lives. (1946) 5.45 Survival. 6.15 HTV News. 10.55 HTV Weather.

MERIDIAN: 12.30 Meridian This Week. 12.55 Meridian News. 2.00 Highway to Heaven. 2.55 Cartoon. 3.05 Freescreen Mother's Day Special. 2.15 With Six You Get Eggroll. (1968) 5.05 Freescreen Mother's Day Special. 5.15 Survival. 5.45 Loud and Clear. 6.15 Meridian News.

SCOTTISH: 10.45 Wemyss Bay 902101. 11.20 Link. 11.45 Sunday Service. 12.30 Encounter. 12.55 Scotland Today. 2.00 Scottish Questions. 2.30 Highway to Heaven. 3.30 Elvie: Good Rockin Tonight. 4.00 Baywatch. 5.00 Scotsport. 6.00 Scotland Today 6.05 Elkon. 10.55 Scottish Weather.

TYNE TEES: 12.25 The Littlest Hobo. 12.50 Tyne Tees News. 2.00 The Magical World of Disney. 2.55 The Tyne Tees Match. 5.20 Survival. 5.50 A Woman's Place. 6.15 Tyne Tees News. 10.55 Local Weather.

WESTCOUNTRY: 12.30 West Wise. 12.55 Westcountry Weekend Latest. 2.00 Westcountry Update. 2.30 The Corn is Green. (1979) 4.20 Highway to Heaven. 6.15 Survival. 5.45 On the Road to the Islands. 6.15 Westcountry Weekend Latest.

YORKSHIRE: 12.25 The Littlest Hobo. 12.50 Calendar News. 2.00 The Magical World of Disney. 2.55 Your Match - Live. 5.20 Survival. 5.50 Calendar 10.55 Local Weather.

RADIO

SATURDAY

BBC RADIO 2
6.00 Barbara Sturgeon.
8.05 Brian Matthew.
10.00 Anne Robinson.
12.00 Hayes on Saturday.
1.30 For Better or for Worse.
2.00 Ronnie Hilton.
3.00 Steve Race.
4.00 Wired for Sound: The Cliff Richard Story.
5.00 Cinema 2.
5.30 Nick Barraclough's New Country.
6.00 John Sachs Presents.
7.00 I've Heard That Song Before.
7.30 Sir Arthur Sullivan Returns to Earth.
9.30 David Jacobs.
10.00 Arts Programme.
12.05 Ronnie Hilton.
1.00 Charles Nove.
4.00 Barbara Sturgeon.

BBC RADIO 3
6.35 Open University: Arts - Language in Hard Times.
6.55 Weather.
7.00 Record Review.
1.00 News.
1.05 Janacek and Tchaikovsky.
2.35 Benedetto Ferrari.
3.00 The Koussevitzky Legacy.
5.00 Jazz Record Requests.
5.45 Third Opinion.
6.30 Live from the Met: Ariadne auf Naxos.
9.15 Telling Stories.
9.35 Piano Quartets.
11.00 Impressions.
12.30 News.
12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends.
11.00 Week in Westminster.
11.30 Europhile.
12.00 Money Box.
12.25 The News Quiz.
1.00 News.
1.10 Any Questions?
2.00 Any Answers? 071-580 4444.
2.30 Playhouse.
4.00 Age to Age.
4.30 Science Now.
5.00 Costing the Earth.
5.25 Fourth Column.
2.00 News and Sports.
6.25 Week Ending.
6.50 Ad Lib.
7.20 Kaleidoscope.
7.50 Saturday Playhouse.
9.05 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 The Open Mind.
10.45 Rich Pickings.
11.00 Richard Baker Compares Notes.
11.30 Lee and Robert.
12.00 News.
12.33 Shipping Forecast.
12.43 Close.

BBC RADIO 5
7.30 Weekend Edition Update.
8.10 Cricket: Sri Lanka v England.
11.00 Football Plus.
12.45 Sportscall.
1.30 Sport on Five.
5.00 Sports Report.
6.06 Six-O-Six.
7.30 Afropop Worldwide.
8.30 Le Top.
9.30 Nightbeat.
10.00 Sports Bulletin.
10.15 On the Level.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times GMT:
6.00 News; The World Today.
6.30 Programmes in French.
7.00 Newsdesk.
7.30 People and Politics.
8.00 News; Words of Faith; A Jolly Good Show.
9.00 News; Business Report; Worldbrief.
9.30 Personal View.
9.45 Sports Roundup.
10.00 News; Jazz Now and Then; Letter From America.
10.30 Waveguide; Book Choice; From The Weeklies.
11.00 Newsdesk.
11.30 BBC English.
11.45 Mittagsmagazin.
12.00 News; Words of Faith.
12.10 Multitrack 3.
12.45 Sports Roundup.
1.00 Newshour.
2.00 Club 648.
2.15 Personal View.
2.30 Sportsworld.
3.00 News; Sportsworld continued.
4.00 News; News About Britain; BBC English.
4.29 News in French.
4.30 German programmes.
5.00 News Summary; Sportsworld.
5.30 French programmes.
6.00 Newsdesk.
6.30 German programmes.
8.00 News; Personal View; Words of Faith.
8.30 Europe This Weekend.
8.55 European Sports News.
9.00 Newshour.
10.00 News; Meridian.
10.45 Sports Roundup.
11.00 News; Words of Faith; Book Choice; A Jolly Good Show.
12.00 Newsdesk.
12.30 The Ken Bruce Show.
1.00 News; Play of the Week: A Wing And A Prayer.
2.00 Newsdesk; Gods, Guides And Gurus.
3.00 News; News About Britain.
3.15 Sports Roundup.
3.30 From Our Own Correspondent.
3.50 Write On.
4.00 News: India's Children Of Courage.
4.30 Business Review.
4.45 German programmes.

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 9.05 John Sachs. 10.30 Hayes on Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 2.00 Gems of Operetta. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 2.00 Alan Keith. 10.00 Arts Programme. 12.05 Nick Barraclough's New Country. 12.35 Charles Nove. 3.00 Alex Lester.

BBC RADIO 3
6.35 Open University: Culture and Belief in Europe - Wayne's World. 6.55 Weather. 7.00 Sunday Morning Concert. 2.00 News. 9.05 Brian Kay's Sunday Morning. 12.00 Spirit of the Age. 1.00 News. 1.05 Replay. 1.25 From the Proms 1992. 2.55 Elgar. 3.15 Christian Blackshaw. 4.45 Debussy. 5.25 An Afternoon with Ravel. 6.30 Vermeer Quartet. 7.20 Sunday Play. 5.45 BBC Welsh SO. 10.20 Violin and Piano. 11.05 Music in Our Time. 12.30 News. 12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.00 News.
8.10 Sunday Papers.
8.50 Michael Palin.
2.00 News.
9.10 Sunday Papers.
5.15 Letter from America.
9.30 Morning Service.
10.15 The Archers.
11.15 News Stand.
11.30 Pick of the Week.
12.15 Desert Island Discs.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Classic Serial.
3.30 The Radio Programme.
4.00 Analysis.
4.47 The Wedge Between Us.
5.00 Drif's Guide to the Northern Line.
6.20 Poetry Please!
6.00 Six O'Clock News.
6.15 Feedback.
6.30 Europhile.
7.00 In Business.
7.30 Bookshelf.
0.00 Punters.
8.30 Reading Aloud.
9.00 The Natural History Programme.
9.30 Special Assignment.
10.00 News.
10.15 Snakes! Sacred and Profane.
11.00 In Committee.
11.30 Seeds of Faith.
12.00 News.
12.33 Shipping Forecast.
12.43 Close.

BBC RADIO 5
5.00 World Service.
6.30 Mark Curry's Weekend Edition.
9.30 The Unopened Casebook of Sherlock Holmes.
10.00 Johnnie Walker.
11.30 Fantasy Football.
12.30 Simon Fanshawe's Sunday Brunch.
1.40 Open Forum.
2.00 Money Talk.
2.30 They Think It's All Over.
3.00 Sunday Sport.
6.00 It's About the Ad.
6.30 Education Matters.
7.00 Sportsdesk.
7.20 Open University.
10.10 Across the Line.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times GMT:
6.00 News; Letter From America. 6.30 Programmes in French. 7.00 Newsdesk. 7.30 From Our Own Correspondent. 7.50 Write On. 8.00 News; Words of Faith; Classics with Kay. 9.00 News; Business Review. 9.15 Short Story: Fisherman's Luck. 9.30 Folk Routes. 9.45 Sports Roundup. 10.00 News Summary; Science in Action. 10.30 In Praise of God. 11.00 Newsdesk; BBC English. 11.45 News and British Press Review in German. 12.00 News Summary. 12.01 Play of the Week: A Wing And A Prayer. 1.00 Newshour. 2.00 News Summary. 2.01 The Last Tigers. 2.30 Anything Goes. 3.00 News. 3.15 Concert Hall. 4.00 News; News About Britain; BBC English. 4.29 News Headlines in French. 4.30 Programmes in German. 5.00 News and Business Review. 5.10 Club 648. 5.30 Programmes in French. 2.00 Newsdesk. 6.30 Programmes in German. 2.00 News; Folk Routes; Words of Faith. 6.30 Europe Tonight. 9.00 Newshour. 10.00 News; Meridian. 10.45 Sports Roundup. 11.00 News; Business Review; Classics with Kay. 12.00 Newsdesk. 12.30 In Praise Of God. 1.00 News Summary; Marking Time. 1.45 Mastersingers. 2.00 Newsdesk. 2.30 Composer Of The Month: Ludwig van Beethoven. 3.00 News; News About Britain. 2.15 Sports Roundup. 3.30 Anything Goes. 4.00 News; The Brain. 4.30 Waveguide. 4.45 Programmes in German.

CHESS

THE NIGEL Short-Gary Kasparov world championship coup will be tested on Monday when bids for their breakaway match are opened at Simpson's-in-the-Strand, London. Short and Kasparov rejected Manchester's £1.2m offer as too low, claiming they were not consulted properly by Fide, the world body.

Kasparov and Short hope for a £2m bid to match the 1990 world series but, so far, they have received only scattered support from other grandmasters, while the British Chess Federation and prominent UK chess figures have urged Short to compromise.

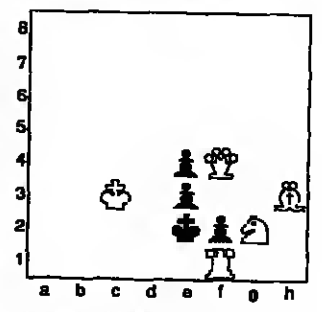
At the board, the ultimate decider, Kasparov is still king. This week he won Linares, the strongest-ever tournament, in brilliant style without suffering a loss. Fide then postponed a formal Kasparov-Short default until after Monday's bids, recognising that their substitute championship between Karpov and Timman lacks credibility due to the Dutchman's abysmal form. Conditions are ripe for peace if the parties can bring themselves to negotiate.

The Linares scores (Kasparov 10/13, Anand and Karpov 8½, Shirov 8, Kramnik 7½) left India's Anand poised to become No 2 in the world, while 17-year-old Kramnik looks a future champion.

(G. Kasparov, White; B Gelfand, Black; Linares 1993).

1 e4 c5 2 Nf3 d6 3 d4 cxd4 4 Nxd4 Nf6 5 Nc3 a6 6 Bc4 e6 7 Bb3 b5 8 0-0 Be7 9 Qf3 Qc7 10 Qg3 0-0 11 Bh6 Ne8 12 Rad1 Bd7 13 Nf5 b4 14 Ne2 a5 15 Nf4 Kh8 16 Bg5 Nf6 17 Qh4 Bb5? 18 Nd4! Be8 If Bxf1 19 Ndxe6 fxe6 20 Bxe6 and Ng6+ 19 Ndxe6! fxe6 20 Nxe6 Qa7 21 e5 dxe5 22 Nxf8 Bxf8 23 Bxf6 gxf6 24 Rd8 Nd7 25 Qg4 Resigns.

Chess No 966



White mates in three moves against any defence (by H Engel, 1974).

Solution Page XXII

Leonard Barden

BRIDGE

HUGH Kelsey's *Sharpen Your Bridge Technique* has been published in paperback by Gollancz at £8.99. It contains many excellent hands and shows us how to think like an expert. Study this heart contract and learn the lessons it teaches:

N
♠ K 8 7 6 4 3
♥ A 9 3
♦ K
♣ K 8 4

W
♠ A Q J 5 2
♥ –
♦ A Q 10 9 7 3
♣ 9 7

E
♠ 10 9
♥ Q J 8 2
♦ 6 5 2
♣ Q J 6 3

S
♠ –
♥ K 10 7 6 5 4
♦ J 8 4
♣ A 10 5 2

West deals, with both sides vulnerable, and bids one diamond. North over-calls one spade, South comes in with two hearts, North raises to three, and South's bid of four hearts concludes the auction.

West opens with the nine of clubs to the four, knave and ace, and you concede a diamond to West's ace, East dropping the two. West continues with the club seven to dummy's king and you ruff a low spade in hand. Your diamond loser can be ruffed on the table, so everything seems set fair. But the trumps may break 4-0 – did you not think it strange that West did not lead a trump after taking his diamond ace?

Start by giving East his queen of clubs – it cannot cost. Suppose East returns a diamond (there is nothing better). You ruff in dummy, ruff another spade in your hand, play the club 10 (which wins), then ruff your last diamond and cash the ace of hearts. In the three-card ending, dummy holds three spades to the king; East has queen, knave and eight of hearts; while you hold king, 10 and seven of hearts.

You lead a spade from dummy. East ruffs with knave and you under-ruff with the seven. East is trapped and forced to concede the last two trump tricks. You have caught him in a trump coup.

E.P.C. Cotter

CROSSWORD

No. 8,106 Set by DINMUTZ

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday March 31, marked Crossword 8,106 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday April 3.

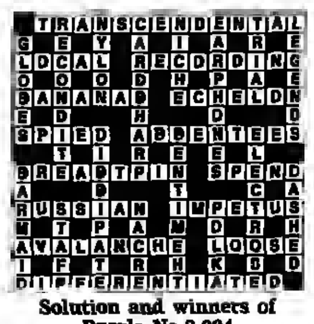
Name....................

Address....................

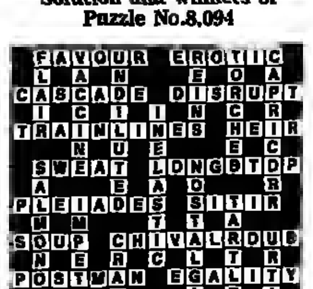
ACROSS
1 Thirty spread butter and jam (6)
4 This hound has shortened fang treated (8)
9 Greyish-yellow colour of food in cans .... (7)
10 .... happy with what is inside? (7)
11 Analysed, then collapsed (6-4)
12 Drug-addict taken in by filthy peddler? (4)
13 Tedium of nine, unhappy around university (5)
14 Duty of daily pokerwork? (8)
15 Spoiled by spoilers, possibly? (8)
18 Copy sign (5)
20 Single representative of cabbages and kings. (4)
21 Cats-cradle, say, in Louisiane (3,7)
23 Saloon guns – to seed? (7)
24 Yarn to provide standard fit (7)
25 Reappearance of body after eclipse can be way-out, we hear (6)
26 Lower me into little valley (6)
27 Approaches from northern listeners (5)
28 Yarn of two cities (digest form) (6)

DOWN
1 Holy man with manner of one in flight (5)
2 Glob of butter presented to English family (7)
3 Everyday row heard in court? (9)
5 Father to confess and make headlines (5)
6 Bowlar possibly expensive abroad, yet hopes for duck-eggs (7)
7 The right sum? (9)
8 Try to land, say? (9)
15 Wild sea-pigeon is under cover in it? (9)
16 Quarrel at treacle-spreading (9)
17 Broadway outdoors? (4,3)
19 Champion gallery showing record stuff (7)

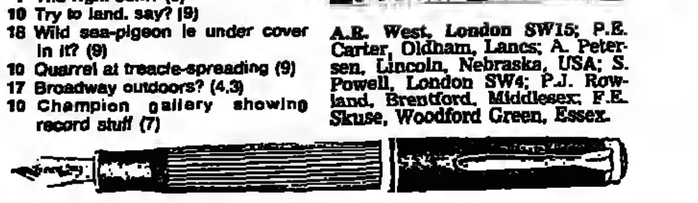
Solution to Puzzle No.8,105



Solution and winners of Puzzle No.8,094



A.R. West, London SW15; P.E. Carter, Oldham, Lancs; A. Petersen, Lincoln, Nebraska, USA; S. Powell, London SW4; P.J. Rowland, Brentford, Middlesex; F.E. Skuse, Woodford Green, Essex.



Sour sound of twisted surveys

Dominic Lawson hears pro-Maastricht politicians utter the most depressing words in English

WE ALL have our own ideas about what constitute the most depressing words in the English language. Sir Kingsley Amis, famously partial to a drink before lunch, once nominated the phrase "Shall we go straight through?" As I recall, Sir Kingsley's *runner up for the prize* was "Red or White, Sir?".

My nomination would have to go to the phrase "according to a recent survey..." Usually this forms the *introduction to the sort of article* which purports to prove that breathing can give you cancer, that advertising pays, or that pigs can fly. More dangerously, it is a phrase beloved of politicians hoping to justify a policy or to defend their appalling record.

A horrible example was perpetrated last week by the foreign secretary, Douglas Hurd, as part of his increasingly desperate attempts to persuade members of his party that they should support the government's Maastricht Bill. Hurd quoted a survey by a body calling itself the European Policy Forum – *a disinterested body, I am sure* – to the effect that if Britain failed to ratify the Maastricht Treaty "the cost to our national income of... a policy of detachment... would be some £50bn pounds over five years." This fantastic figure was later given the highest political authority, by being quoted in a speech by the prime minister.

You are *probably wondering how* the European Policy Forum arrived at this figure. Simple. It supposed that foreign direct investment in Britain would amount to 3 per cent of output, or £20bn a year. *It further supposed* that this figure *would be halved* if Britain pulled out of the Maastricht process. This is the truly heroic assumption, which the prime minister and the foreign secretary apparently share, *and which enables them to claim* that Britain would "lose" £10bn a year, and hence £50bn over five. QED, I don't think.

Not surprisingly this piece of arithmetical mumbo-jumbo failed to impress anti-Maastricht Tory MPs. So the government's faithful euro-hound, the Confederation of British Industry did its bit by circulating a brief to MPs and peers which claimed that: "If the UK fails to ratify the Maastricht Treaty and is perceived to be part of a second tier in a two speed Europe, this would have a negative effect on half the (foreign) investors".

It later turned out that of the 16 foreign companies questioned by the CBI, only one said categorically that a *failure to ratify Maastricht* would have a serious impact on its investment in Britain. According to the *Sunday Telegraph*, one of the companies, a Japanese car maker, was typical of the general tone, saying: "Disinvestment is *unthinkable regardless of the political situation.* We have made a commitment to the UK and disinvestment will not happen, no matter what."

Possibly that response contains an element *of diplomatic exaggeration*, but is it not odd that Major and Hurd did not give this part of the survey the publicity they gave to the more negative aspects? They are always complaining about those who knock Britain. Yet here was a Japanese company prepared to say it would invest in Britain regardless of Maastricht, and the *government attempts* to suppress the good news.

The truth is that politicians use only those survey answers which suit their political objectives. That is why the government *will* not wish to draw attention to another, *heartening*, survey, which was reported in the *FT* on Monday.

KPMG Peat Marwick Consultants interviewed 50 EC banks, and found that most assume that Britain *will* be in the *slow lane*, and that monetary union will take *place* with an inner core of Germany, France, and the Benelux countries.

Bad news for Britain? Not a bit of it, say the banks, who "anticipate a trend towards centralised currency trading in London in the aftermath of union, *irrespective of whether or* not Britain rejoins the EMS."

Why does the government keep twisting surveys to prove that Britain will become an economic pariah, *if it does not ratify Maastricht?* The answer is, because it *has no positive reasons for wanting* the treaty. So it is left only with negative ones, which amount to no more than handwringing and bedwetting. It does not take a survey to see that.

■ *Dominic Lawson is editor of The Spectator.*

Private View/**Christian Tyler**

Challenging the new gods

*Science critic **Joseph Schwartz** explains how he evaluates the most complex of theories*

MUSIC critics and theatre critics we know about, and literary critics, art critics and ballet critics. But what on earth is a science critic – *apart from* a contradiction in terms?

Dr Joseph Schwartz is a New Yorker with a west coast drawl, a Harpo Marx hairstyle and a gift for polemics. As a child, he stood on garment workers' picket lines; as a youth, he produced pi meson particles *in Berkeley. In his 20s, he was* inspired by the civil rights movement. He took up psychology and now he is a psychotherapist in Belsize Park, London.

Also, Schwartz writes. He is a science critic.

Opera, he will tell you, is another way of singing, *just as painting is* another way of seeing. Science is simply another way of understanding the world. It is not so pure, after all. It is as susceptible to an *informed critique* as any *other* human activity.

"I don't paint the pictures," he said. "I don't make up the theories. But I evaluate them. A painter can talk about a painting: we don't have to agree with what the painter says is in the painting. We look to see what it says for ourselves.

"Well, waddya think?" he said, jumping up from the kitchen table. "When the man in the white suit says radiation won't hurt you, waddya think? I'd like people to have confidence with their own assessments. Sure, they have to be open to information. I suppose I'm attacking the authority, the inflated authority of science."

And attack he does. Today's particle physicists are autistic, he says, staring vacantly at mathematical expressions of their own creation. 'String theory' may be the *dernier cri*, but is boring and cannot be tested experimentally. DNA has replaced the Deity as the agent of predestination. We have lost confidence in our capacity to understand, and our science writers – whether of the "gee-whiz" or "shock-horror" school – have not liberated us from primitive notions of what science really is.

What does it mean, I asked Schwartz, to say that a work of science, like a work of art, is "poor"? Either a theory works or it doesn't.

"Well, you could say it doesn't work, or it has too many assumptions, it's not testable, can't be compared to experience: or it's unsatisfying, it's unaesthetic... What I'm trying to do is formalise the kinds of conversations you could have quietly, in the corridor, with scientists at a scientific meeting."

Schwartz began an imaginary dialogue. "What do you think of 'strings'? (You're not going to get an active physicist saying it's the truth or anything like that.) They might say: well, it really stinks. What do you think of quantum mechanics? Well, I don't see how to do anything better, but yeah, I was always bothered by it as a student... That kind of thing."

In 1959, C.P. Snow gave us the phrase "the two cultures" to describe a state of mutual incomprehension between science and the humanities. Today the sociology of science is itself in conflict: one group continues to see Western science as anonymous, universal, dispassionate and privileged. The newer, relativist group, describes scientific knowledge as a social construct whose focus and direction owe as much to history and culture as to empirical analysis. Lobbies have formed and tempers have frayed, with exaggeration and misrepresentation on both sides.

We are watching a replay of the 19th-century Darwinian controversy, Schwartz said. The traditionalists will not recognise that science is a human activity – that we create our understandings. The anti-science lobby will not acknowledge the power and utility of our understanding.

Schwartz is of the new school but not, he would insist, its militant wing. He agrees that we are looking at a real world and that science is a "special kind of understanding" of that world; he is simply reluctant to accord it supreme status.

He took an example from aesthetics. "A hundred years ago we said art was Beauty. We don't believe that any more. We don't believe beauty is so simple. We see it is not eternal but historically formed: what is aesthetically pleasing varies over time. The same is true for science and truth. What is perceived to be true in one epoch may be completely unsatisfactory in another."

It follows, of course, that Schwartz's critique is itself under the influence of his own history and culture.

His father, a furrier and trade union activist in the 1930s, came from Bessarabia in the former Soviet Union. His mother's family had migrated from a town near Chernobyl in the Ukraine. They moved to Los Angeles when the elder boy was eight. He went to Berkeley in 1955 to read sociology and physics at a time when America was actively recruiting scientists, impelled by a talent for maths but also by his sense of being a misfit.

Colin Beere

As well as being Jewish, "foreign", left-wing and from the East Coast, he was *afflicted* by being intellectually ahead of his contemporaries and younger than his peers. "While they were developing socially I was still a little kid."

The sociology proved to be a bore, but the physics was "terrifically exciting." Berkeley then was the leading centre for particle physics and Schwartz joined the group around Luis Alvarez, later a Nobel prizewinner.

"It was top of the world, just one of those rare experiences. Everybody, no matter what their age, who was involved with Alvarez in that period would call it the high point of their career." He did a PhD in particle production using *high-energy* pi mesons in a hydrogen bubble chamber.

Did you feel you were adding real knowledge, or was it a kind of game?

"No, it didn't have a game quality for me, nor for other people. It's quite a good question, really because I think physics has become *removed from* that sense of adding significantly to human knowledge; there is a real malaise in the field, a certain kind of boredom and gimmickry."

Schwartz was a leftwing student activist, not so much a hippy, he said, as an amateur beatnik. Deciding he had had the best of physics, he was drawn to Mississippi and the civil rights protests. It changed his life. Impressed by the sophistication of the black militants and of their "group psychodynamics", he underwent psychoanalysis himself and landed a research fellowship ("people felt physicists could do anything") in psychiatry at Columbia, New York. Much later he trained as a counsellor, met a British psychotherapist and moved with her to London.

Are you still a left-winger?

"I would say so. Most people would say so."

Is your critique a product of your early commitment to the Left?

"It sort of is and it sort of isn't."

Are you offering a Marxist-driven analysis?

"Well, you know I've been very seriously attacked by Marxists, so there's tremendous disagreement among them about science as well. I mean, I would flatly reject the traditional *Marxist interpretation of science* which is gee-whizzery, basically. If you wanted to place me politically, I suppose you could say it's New Left. We have to look at what *actually has* gone on: we have to look at stories like the atomic bomb."

Schwartz gently turned the tables. "What would you say about journalism? That reporters just go out and get the news and tell us the truth? Well, it doesn't really work that way. Why would a journalist write a book about journalism? What would be the motivation? A critical sensibility, an anti-elitist sensibility, perhaps, an irritation with the bullshit? It's *kind of* left-wing."

He talked about genetic determinism, theories which he said had been discredited but which refused to die. They were kept alive, a comforting explanation for "frightened, frightening lower-middle-class professional people who cannot take on the serious problems that our society poses for us. Of course you have to take the claims seriously but they've been wrong for 100 years."

Aren't your views influenced by your own experience, your background, a wish to believe that such claims are wrong?

"In a way that's fair comment. But that's exactly where the debate has to get started. What's been missing from the debate about nature versus nurture is why we believe what we do believe. What makes genetic theory so attractive to us?"

I asked Schwartz how he would de-mystify science and restore it to its place in the common culture.

"When one is dealing with a deep structural problem good intentions don't go very far – as we have seen ever since Snow enunciated the Two Cultures.

"We believe we ought to know more about science but somehow our interest wears thin: and any subject deprived of a larger audience for a long time tends to grow narrow. Our science at the moment is not in fact very interesting: 'strings' and 'chaos' theory are hyped beyond measure in an attempt to capture the excitement of the 19th century. But it won't wash.

"We need a far more critical, sardonic, humorous science reporting – much more in fact like arts reporting. But will editors buy it?"

Better, he said, to forget about high science for a decade or so and go back to talking and writing about technology instead.

"Because if we can get interested in our productive culture, and begin to reclaim it, then our scientists will have more interesting things to work on as well."

Magicians of the little red box

■ From Page I

daily briefing paper on the gold and foreign exchange reserves that was for his and the prime minister's eyes only: he expected it to turn up in a newspaper, but nothing happened. "In those days the Treasury was *obsessed* by those figures." In Budget-making he took the unprecedented step of consulting some of his cabinet colleagues, once even including Tony Benn.

What struck him most was *how quickly* the economy could turn round. In his stewardship the balance of payments went rapidly from deficit to surplus, but it can turn back just as fast. And if Jenkins had known the recovery would be so rapid, he would *not have gone* on *raising taxes* in the 1969 Budget after a record rise in 1968.

Being chancellor breeds a weary cynicism about figures. Even when *Jenkins took* on the beginnings of monetary policy, he was careful to describe the theory as "arcane."

By the mid-1970s, Healey was facing the same sort of currency and spending problems that had confronted Callaghan. Healey remains unrepentant, although his manner has mellowed with time. Thatcher used to speak of him as an "amoral thug." Nowadays, he is one of the few people to speak sympathetically of Heath. The only regrets he expressed were that he did not find it easier to work more *closely with* Jenkins [Jenkins, Healey and Heath were at Balliol College, Oxford, together], and that the government had not been more flexible in its incomes policy. Its 5 per cent norm led to the "winter of discontent" in 1979.

Healey *remains scathing* about Treasury numbers and forecasts: "The figures are always wrong or out of date." The estimate for the public sector borrowing requirement which led to the loan from the IMF was far too high. But he is still glad he went to the fund because it "put the seal" on *cuts* he wanted to make, anyway.

The IMF episode led to a notable change in Budget-making: for the first time, all cabinet ministers debated the contents in advance and secrecy seemed to have been abandoned. The change did not last.

Healey's innovation was the gradual introduction of monetary policy. He says he learned in the army that "you can't work without a plan, but you *must know that the plan will* work. You must take money seriously." He was perhaps the first chancellor to do so. Like Jenkins after devaluation, he was surprised by how quickly the economy turned round after the IMF loan. For the *rest, Healey remains* convinced that the root British problem is the class system.

It was Callaghan as prime minister in 1979 who noted that the tide had turned against high taxes, and Labour duly lost office. Howe, as the new Tory chancellor, recalls that after cutting the top and standard rates of income tax in his first Budget he was cheered by the British Airways crew when he flew to the Tokyo summit and applauded by Labour councillors in his constituency, in spite of having raised VAT. It was his 1980 Budget, however, which set a new discipline. The medium-term financial strategy then introduced "imposed a framework from which I could not have escaped even if I had *wanted to.*"

Treasury figures, says Denis Healey, 'are always wrong or out of date'

The stir over the *MTFS* was as nothing compared with the Budget in 1981. Howe raised taxes at a time of recession. Thatcher was "shattered," but he did it because the government's fiscal position was getting out of hand. At the same time, Howe predicted an average economic growth rate of only 1 per cent for years. Yet, by mid-1982 the recession was over and the forecasts had been shown to be wrong again.

For the 1982 Budget, he made an innovation that has stuck. Early in the new year, he called treasury ministers and officials to Chevening, a government residence in Kent, for Budget discussions; this has become the norm. Only after that do the weekly discussions between chancellor and PM get under way.

Lawson's Budgets are *sufficiently* recent not to need a summary save to say that he would have been even more of a reforming chancellor if Thatcher had approved more of his proposals earlier. He is the perfect example of the rule that when relations between chancellor and prime minister go well, it is good for the government – and also of the reverse. Up to the 1987 election and slightly after, they were satisfactory. Afterwards, they went into sharp decline, leading to his resignation in 1989. But he found a novel way of telling the PM of his initial Budget thinking: he and and his wife would invite Thatcher and her husband to an informal dinner around the end of January.

Yet, Lawson's own *initial* approach was remarkably prudent: one penny off the basic rate of income tax in 1986 (a decision taken only a few days before the Budget), and two pennies in 1987. "What a lot you got!" said *The Sun*. The bigger cuts came after the 1987 election.

Other reforms, such as the broadening of VAT and the phasing-out of mortgage interest relief, were limited by Thatcher, who had more of an eye for voters than an efficient tax system. Lamont, who was for several years Lawson's chief secretary, *thinks that his* old boss left a lot still to be done. In particular, he has a hankering for the negative income tax, which combines taxes and benefits, that was much studied by the Heath government.

Before Lamont took over, there was the brief interlude of chancellor John Major. He presided over only one Budget, but could have made a permanent mark with the introduction of Tessas (tax-exempt special savings accounts) which are a Treasury favourite for further development. Major says that the ideal qualities for *a chancellor are* "a long view and a thick skin."

One fact about Major might surprise: he is an advocate of total Budget secrecy, which this year has been tighter *than* ever. There is no intention of loosening the secrecy when the government moves to the unified Budget in November.

Can that be viable? *Nobody* knows. The process of preparing and presenting tax and spending proposals together will involve much wider consultations and, *therefore*, leave room for arguments and possibly leaks. Most former chancellors are, at best, lukewarm about the idea. Lawson is against it. He thinks tax must be seen to be handled separately, and that unification will lead to huge administrative problems in the Treasury.

But something on which everyone agrees is that the determination to press ahead with unification has come from the present chancellor. "The merit *does not lie* in the originality of the idea," says Lamont [it was proposed in the Armstrong Report of 1980], "but in the fact that it is being *implemented.*"

Not all former chancellors regard the Budget as their most *important act*. They like the mystique, they want to be *popular* and *take credit if their* name is attached to a lasting reform. But most of the interesting developments take place between Budgets.

Remember the remark by Macmillan: "Preparing a Budget is like using last year's timetable to catch a train." Then there is the forthright advice from *Thorneycroft*. "A government needs one main objective. This year, it should be how to deal with unemployment."